Prince
Edward
Island

Report of the
AUDITOR GENERAL

Fiscal Year Ended
31 March 1988

OFFICE OF THE AUDITOR GENERAL

PROVINCE OF PRINCE EDWARD ISLAND

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The Honourable Speaker and
Members of the Legislative Assembly
of the Province of Prince Edward Island

In accordance with the requirements of the Audit Act, I have the honour of presenting my annual report to the 1989 Session of the Legislative Assembly.

Respectfully submitted,

G. Wayne Murphy, C.A.
Auditor General

Charlottetown
Prince Edward Island
January 31, 1989

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INTRODUCTION

GENERAL

Under Section 16 of the Audit Act, I am required to report annually to the Legislative Assembly. This report fulfills this requirement and provides the members of the Legislative Assembly with the summary results of the work performed during the year.

Although the report is for the fiscal year ended March 31, 1988 and deals substantially with matters pertaining to that period, I have made comments in some sections that also apply to the current year.

BASIS OF REPORTING

This report is based on the observations and recommendations made to departments and agencies of government selected for audit during the year.

It is important to note that of necessity this report concentrates mainly on deficiencies observed and does not elaborate on the many instances where no significant problems were identified.

On the other hand, unwarranted comfort should not be taken from my lack of comment on a particular subject. The audit process itself has limitations and it is not practical to attempt to audit all areas of government each year.

In the majority of cases, the observations and recommendations made as a result of our audits have been well received and acted upon by departments and agencies.

The existence of a constructive relationship between my office and those we audit, together with my independent report to the Legislative Assembly, provides a good combination to promote what this office is trying to achieve-accountability and improved management of public funds.

SCOPE AND ACKNOWLEDGEMENTS

The audit program this year covered financial statement audits of the Public Accounts of the Province, eight crown corporations, five agencies, and seven special purpose funds. In-depth reviews were done on three crown agencies and several program audits and government-wide studies were also completed. In all our audits we have received good cooperation from Ministers, Deputy Ministers, Heads of Crown Corporations and other government officials. I wish to acknowledge this cooperation and also the assistance provided by the Legislative Audit Committee in the administration of my office.

Finally, I would like to express appreciation to my staff for their hard work and support.

MATTERS OF SPECIAL INTEREST

1. DEFICITS AND NET DEBT

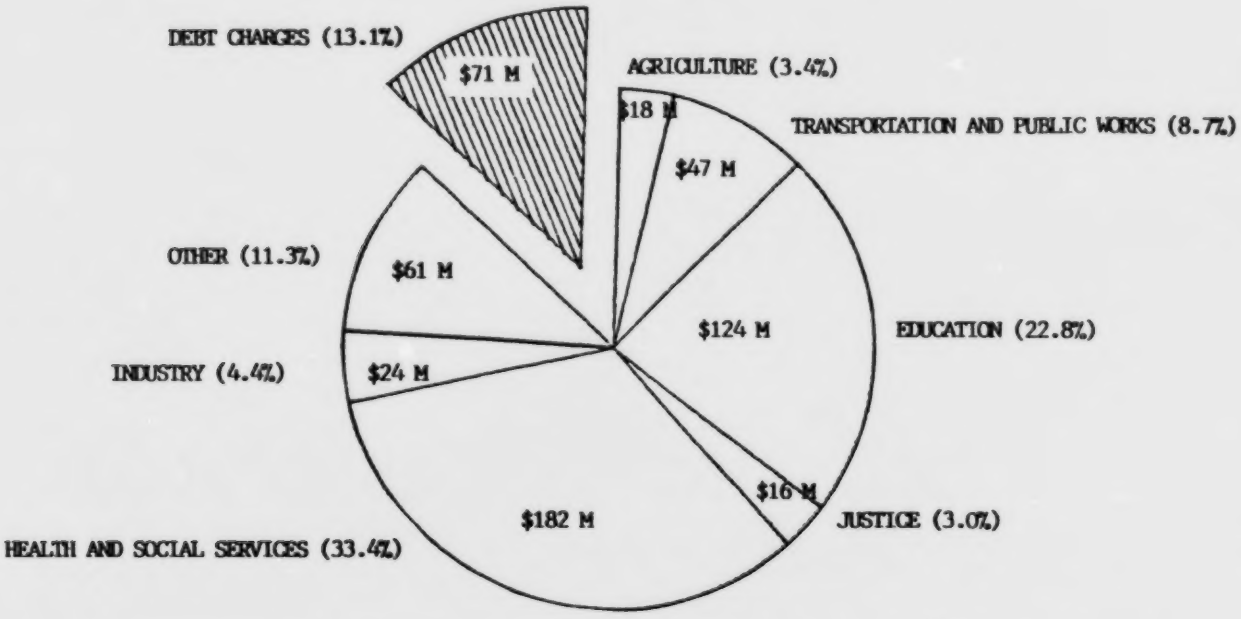
INTRODUCTION

1.1 This section provides information related to the debt charges, deficits, and net debt of the Province. These items represent a significant part of the Public Accounts and are useful indicators of the financial health of the Province.

DEBT CHARGES

1.2 As can be seen in Exhibit 1.1, debt charges for 1987-88 continue to be a significant portion of provincial expenditures. The Province continues to spend more to service the debt than the expenditures for the Departments of Fisheries, Labour, Finance, Energy and Forestry, Tourism and Parks, and Justice combined.

Exhibit 1.1
Current Account Expenditures
March 31, 1988



1.3 In 1988-89 debt charges for the Consolidated Fund are expected to increase by 11 percent to $79 million which is an increase to 13.6 percent of total current expenditures.

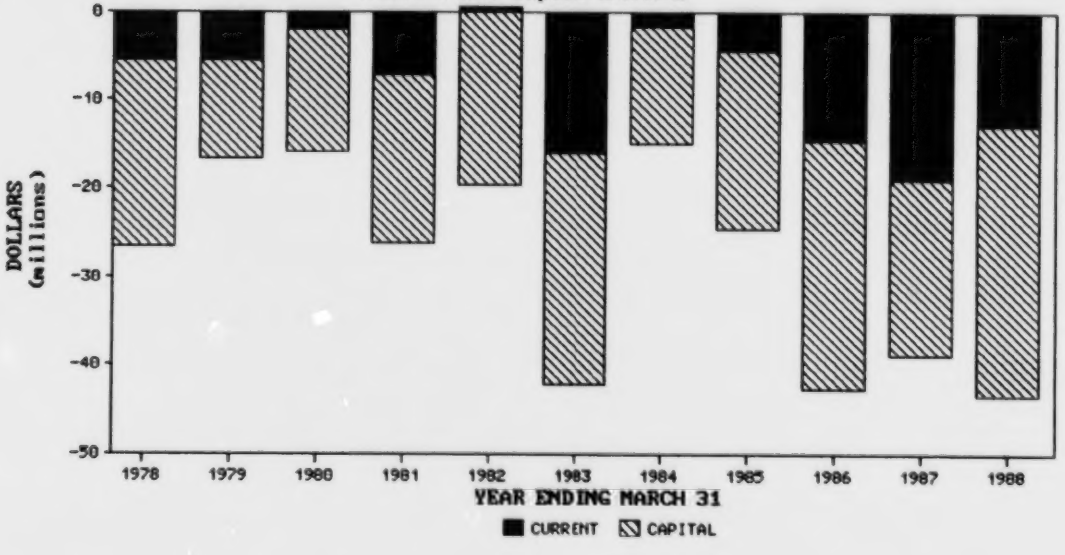
1.4 It is interesting to compare the budgeted debt charges of the Province with the Provincial portion of our personal income taxes, which amounts to $77 million. On this basis, it could be said that every dollar raised from provincial income taxes is used to service the debt.

DEFICITS

1.5 The combined totals of current and capital account deficits are reflected in Exhibit 1.2. On the positive side, the current account deficit declined for the year ended March 31, 1988 to $12.8 million, however, the capital deficit increased to $30.5 million. This was caused by an increase in capital expenditures for highways and buildings.

1.6 The current account deficit has been reduced because revenues have been increasing more than expenditures. In 1987-88 current revenues increased by 8.6 percent while current expenditures increased by 7 percent.

Exhibit 1.2
Current and Capital Deficits

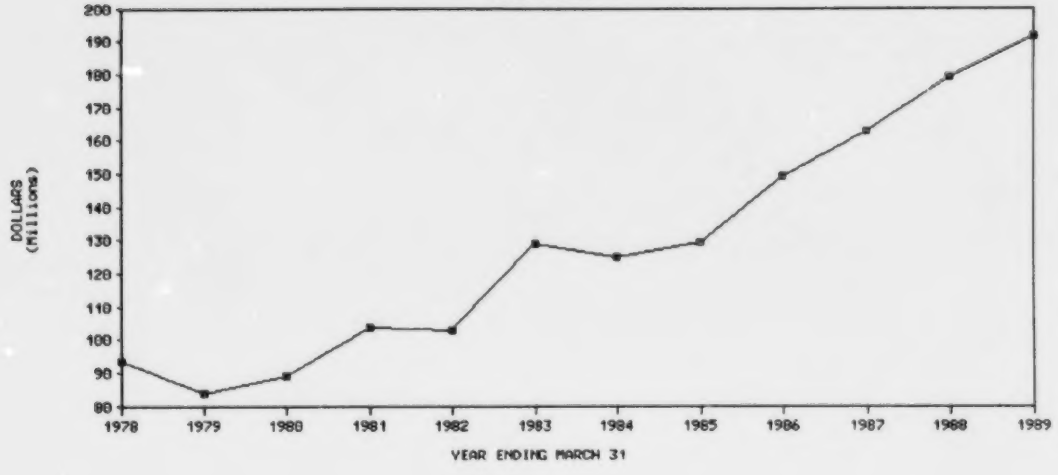


NET DEBT

1.7 Net debt is defined as the excess of liabilities over assets. The increase in net debt is comprised of the current account deficit and capital account deficit, less the increase in the sinking fund. The net debt is the most useful long-term indicator of the Province's financial performance because it shows how much has been borrowed in the past that must be repaid from future budgets.

1.8 On March 31, 1988 the net debt of the Province was $179 million which represents a 10 percent increase from the preceding year. The Budget Estimates for 1988-89 indicate that it will increase by 6.7 percent, to $191 million. The reason for the decline in the rate of increase in the net debt is that while the total current and capital deficits are budgeted to remain at $43 million, the increase in the sinking fund is projected to be $31 million compared to $26 million last year. The trend in the net debt is shown in Exhibit 1.3.

Exhibit 1.3
Net Debt



1.9 Gross Domestic Product (GDP) is the overall value of goods and services produced within the Province. A useful indicator of financial performance is the net debt expressed as a percentage of GDP.

1.10 The net debt expressed as a percentage of GDP has remained relatively constant over the five year period ended March 31, 1987, ranging between 9.8 and 10.8 percent. This compares favorably with Nova Scotia and New Brunswick where the net debt has been approximately 25 percent of the GDP.

CONCLUSION

1.11 Relative to most other provinces, our financial position continues to be favourable. However, as long as deficits continue to be incurred, the burden of the related debt charges will affect the government's ability to finance existing and new programs.

2. FRAUD AWARENESS AND REPORTING

AUDIT SCOPE

2.1 We conducted a review of fraud awareness and reporting in accordance with section 13 of the Audit Act. Our review included an examination of legislation and guidelines on the subject. We conducted interviews with representatives of government departments, agencies and crown corporations, the Deputy Minister of Finance, the Deputy Minister of Justice, the Secretary to Treasury Board and the officer in charge of the R.C.M.P., "L" Division, Commercial Crime Section.

2.2 Our objectives were to determine existing policies and guidelines, and to make recommendations on the reporting and handling of cases when allegations of fraud arise.

GENERAL

2.3 The primary responsibility to prevent and detect employee fraud rests with the senior management of departments and agencies.

2.4 The most effective defense for management is a well-designed internal control system. At a minimum such a system should include appropriate authorization of transactions, adequate supervision and monitoring of activities, and limitations on physical access to assets. It is recognized that a balance must be struck between the cost of controls and the risk of exposure.

2.5 Although the onus lies squarely on department and agency management to ensure an adequate system of control exists and is functioning, the Auditor General's Office, Department of Finance, Treasury Board, and Department of Justice can complement and support these efforts.

EXISTING LEGISLATION AND GUIDELINES

2.6 The only legislation pertaining to government which mentions reporting fraudulent activities is the Financial Administration Act. Section 67 of the Act puts the onus specifically on employees and management who collect, manage and disburse public money to report any fraud that comes to their attention.

2.7 The Act does not place this responsibility on all civil servants nor does it define what procedures are to be followed to report and deal with allegations of fraud.

2.8 With the exception of welfare client fraud in the Department of Health and Social Services, there are no government departments or agencies which have their own in-house documented policy dealing with fraud awareness and reporting.

OBSERVATIONS

2.9 Some types of fraud which government is likely to encounter are listed below:

- benefit claims fraud
- bid rigging
- breach of trust
- embezzlement
- vendor short shipment
- expense account fraud
- kickbacks
- padding government contracts
- undue influence

2.10 Some of these can be categorized as management fraud while others are examples of employee fraud or fraud committed by individuals who are outside of government.

2.11 Welfare client fraud is the most common type of fraud against the Province reported to the R.C.M.P. Approximately 25 cases of alleged fraud are reported each year.

FRAUD HOTLINE

2.12 The United States General Accounting Office (GAO) created a toll-free fraud hotline that anyone in the United States can use to report allegations of fraud or mismanagement of federal funds.

2.13 The GAO has received over 94,000 calls on the hotline since it was created nine years ago. Of these, 14,000 cases warranted further review.

2.14 The most common substantiated cases were private use of government property; work-hour abuse by federal employees; fraud by recipients of such benefits as welfare, social security, disability, and housing; and general mismanagement by government employees.

2.15 A province-wide Crime Stoppers hotline began operating on Prince Edward Island in January 1989.

2.16 Crime Stoppers is mainly intended to assist in the solving of violent crimes and reporting of criminal activities such as drug trafficking. However, we are advised that it could also be used by individuals to report other crimes such as fraud, if government employees and Islanders in general were aware of this option.

NEED FOR A GOVERNMENT-WIDE POLICY

2.17 Suspected fraud is unpleasant to most managers. Cases can be complicated and emotion laden. There is always the risk of mishandling a case and exposing government to costly litigation.

2.18 Handling a suspected or encountered wrongdoing merits the development of a planned approach. By having an established policy, government could standardize the approach and reduce the role of personalities in decisions regarding each case. Responsibilities for detection and investigation could be assigned. A spin-off benefit would be an increased level of awareness by managers, employees, and others.

2.19 Any policy that is developed will have to be modified over time to take into account actual experiences. However, a policy is needed to ensure allegations of fraud are handled appropriately and consistently.

2.20 A policy should be established defining procedures to be followed concerning fraud and other illegal activities committed against the Province of Prince Edward Island. This policy should be contained in a regulation to the Financial Administration Act.

2.21 At a minimum the policy should define responsibility for:

- **initial notification;**
- **conducting investigations;**
- **referring cases to law enforcement;**
- **notifying bonding company;**
- **filing bonding claims; and**
- **reporting frauds and other illegal activities to the Legislative Assembly.**

2.22 The identity of persons reporting or suspected of fraud should be protected and any related records kept confidential.

2.23 In cooperation with Crime Stoppers, efforts should be made to educate the public about using the hotline to report cases of fraud and other illegal activities committed against government.

3. CODE OF CONDUCT

3.1 The public has a right to expect a strong ethical atmosphere at all levels of the Public Service. A firm commitment from government to strive to meet this objective is essential.

3.2 The existing rules governing the conduct of provincial employees are prescribed in the Civil Service Act and Regulations and deal with political activities and behavior in the workplace. These rules are incomplete because they do not cover many activities which can place an employee in a conflict of interest situation.

3.3 A code of conduct for public servants is necessary to protect the employees and the interests of the people of Prince Edward Island. Without a complete code, employees have no guidance on situations that can cause a conflict between their private interests and their responsibilities as a public servant.

3.4 For example, financial transactions with the Province, outside employment, compliance with laws and regulations, and management of confidential information, are not covered in the current rules.

3.5 Financial transactions with the Province which can cause a conflict of interest include: supplying goods and services; construction contracts; maintenance of assets; purchasing or selling assets; and obtaining financial assistance through grants, loans, or guarantees. These transactions are not limited to public servants but also any business or corporation in which the public servant has a substantial ownership interest.

3.6 Outside employment can result in a potential conflict where there are financial transactions between the Province and the employee's outside employer. Outside employment and business interests can also interfere with the daily activities of the employee.

3.7 The absence of a documented code of conduct makes it difficult for public servants to know when they are in conflict and difficult for government to hold employees accountable for activities which compromise their responsibilities as public servants.

3.8 There is no provincial department or agency assigned responsibility for administering this matter. A code of conduct without an effective monitoring mechanism would only pay lip service to this important area.

3.9 Proper administration and monitoring of a code of conduct would include:

- managing a disclosure system which would require provincial employees to identify activities, assets, and company holdings that could put them into conflict situations;
- providing interpretations of the code based on situations or court decisions which have arisen in the past;

- ensuring all employees are aware of their responsibilities by providing an education program covering ethics and the code of conduct; and
- ensuring all reported instances of non compliance with the code of conduct are followed up.

3.10 We were informed that Executive Council has directed a committee to examine this issue. We will be reviewing the action taken to resolve this matter.

3.11 Written codes of conduct are becoming more common for public servants in other jurisdictions and in my view, one is required for P.E.I. It has been said that a written code of conduct cannot guarantee ethical behavior. However, its development, circulation and monitoring will go a long way in setting the tone for what is expected behavior for public servants.

3.12 **A written code of conduct should be developed, circulated, and enforced which addresses at least the following: confidential information; conflict of interest; outside employment; and workplace behavior.**

3.13 **The responsibility for administering and monitoring the code of conduct should be assigned to a central agency.**

4. PROGRAM EVALUATION

4.1 Interest in Program Evaluation was expressed by members of the Public Accounts Committee last year. Comments have been made in my previous reports on the need for action on implementation. Successive governments have grappled with the issue and seem to become stymied in developing an implementation strategy. Meanwhile, individual evaluations are being carried out in some departments to satisfy requirements under cost-sharing agreements, and on other programs on an ad hoc basis.

4.2 It is a difficult issue and the lack of a coordinated approach to the evaluation of government programs stems more from a lack of consensus on what it should entail and where to start, than from a lack of motivation to do it.

4.3 In my opinion, the subject is too important to drop and the scrutiny which programs are now receiving during the strategic overview and budgeting processes is not enough.

4.4 Therefore, in this report I would like to present for consideration a basic framework for program evaluation and the main issues that have to be dealt with. Much has been written on the subject and this section has drawn mainly on the material made available by the Office of the Comptroller General of Canada, recognizing a much abbreviated version is required in our circumstances.

PURPOSE

4.5 Any program evaluation activity undertaken should be designed to provide objective and timely information appropriate for resource allocation decisions, program improvements, and accountability.

4.6 To achieve this purpose, verifiable information on a program needs to be obtained as well as evidence demonstrating that results have been achieved.

COMPONENTS

4.7 The program evaluation function for government should deal with the following components:

Coverage . All government programs should be evaluated at some point.

Cyclical Evaluation . Government programs should be evaluated periodically depending on their nature. On-going major programs could be evaluated every 3-5 years and one-time programs when completed.

Objectivity	. Evaluations should be carried out as objectively as possible taking into consideration the cost of the evaluation.
Comprehensiveness	. Evaluations should provide for a thorough review of the program and its results.
Evaluation Plans	. Each department and agency should have an overall schedule and plan for evaluating their programs.

PROGRAM EVALUATION ISSUES

4.8 For program evaluation to be effective the following four basic issues and related questions have to be addressed:

Program Rationale (Does the program make sense?)	. To what extent are the objectives and mandate of the program still relevant?
	. Are the activities and outputs of the program consistent with its mandate, and logically linked to its objectives and intended impacts and effects?
Impacts and Effects (What has happened as a result of the program?)	. What impacts and effects, both intended and unintended, resulted from the program?
	. In what manner and to what extent does the program complement, duplicate, overlap, or work at cross-purpose with other programs?
Objectives Achievement (Has the program achieved what was expected?)	. In what manner and to what extent were appropriate program objectives achieved as a result of the program?
Alternatives (Are there better ways of achieving the results?)	. Are there more cost-effective alternative programs which might achieve the objectives, intended impacts, and effects?
	. Are there more cost-effective ways of delivering the existing program?

REQUIRED ACTION

4.9 As a starting point, government should come to a consensus on the purpose, components, and issues that comprise program evaluation. Hopefully, the basic information provided in this section will assist in this process.

4.10 A commitment must then be made by government to have this work carried out. Treasury Board is the most appropriate body to provide the leadership and coordination required to effectively get this endeavour off the ground.

4.11 At present, Treasury Board does not have sufficient resources to take on this major project and give it the attention it deserves. If program evaluation is to be given more than lip service, some additional resources will have to be directed to its implementation.

4.12 Having settled on what program evaluation should consist of, and assuming resources are made available, a couple of programs could be selected on a pilot project basis to get the process started.

4.13 In my view, a program evaluation process that is practical, cost-effective, and acceptable is essential and can over time be developed to suit our circumstances.

4.14 **Government should support the development of a program evaluation process and make available to Treasury Board sufficient staff to lead and coordinate its implementation.**

5. PUBLIC ACCOUNTS COMMITTEE

5.1 This Committee fulfils an important role in the accountability process. Its function is to provide a forum in which members of the Committee, as members of the Legislative Assembly, are given the opportunity to hold the administration accountable.

5.2 The Committee exists to deal with questions about the quality of the management and control of public funds. It fulfils this role on behalf of the members of the Legislature and their constituents.

5.3 These questions relate to administration, not to philosophy or policy. Therefore, the discussions should be non-partisan and focus on the administration of government programs.

5.4 By design, legislatures are forums for partisan debate and it would be naive to expect the Public Accounts Committee to be totally void of political dialogue. However, for the Committee to function effectively it is expected that partisan exchanges would be the exception.

5.5 In the last two sessions of the Legislature, I have met with the Public Accounts Committee on several occasions. The government's agreement to have an opposition member as Chairman of the Committee and a government member as Vice-Chairman was a positive step.

5.6 The Committee has been more active and has dealt with a number of matters raised in the Auditor General's report. For the most part the discussions have focused on the issues and partisan debate has been minimal.

5.7 I look forward to serving the Legislative Assembly through the Committee and am hopeful this positive trend continues.

REPORTS ON SPECIAL AUDITS AND REVIEWS

6. INTRODUCTION TO SPECIAL AUDITS AND REVIEWS

6.1 Section 13(2) of the Audit Act establishes my mandate for special audits and reviews of departments and agencies of the Crown.

6.2 To perform these audits, we employ a broadly based auditing approach aimed at systematically reviewing and reporting on accountability relationships and on the supporting activities, systems and controls employed by management in fulfilling its responsibilities. The purpose of the audits is to examine each entity, report on observed deficiencies, and make recommendations where appropriate.

6.3 Section 16 of the Audit Act does not specify particular reporting requirements, but subsection (d) requires me to call attention to any matters I consider necessary to be brought to the attention of the Legislative Assembly. Accordingly, I submit the results of my audits completed this year in the sections following this introduction.

7. PRINCE EDWARD ISLAND CROP INSURANCE AGENCY

INTRODUCTION

7.1 The Crop Insurance Agency was established in 1962 to provide a crop insurance program, which is cost shared between the Federal and Provincial governments, and farmers who contribute insurance premiums.

7.2 The general objective of the crop insurance program is to stabilize farmers' incomes by providing financial protection against production losses due to uncontrollable natural hazards.

7.3 The Agency presently provides insurance for 406 farmers, covering 47,000 acres valued at $29 million. The annual premiums equal $2.6 million. In addition to potatoes, nine other crop insurance plans are available covering fourteen crops.

SCOPE

7.4 Our audit was performed under section 13 of the Audit Act and included the following procedures:

- interviews with the Agency's Acting General Manager, Department of Agriculture staff, and representatives from Agriculture Canada's Crop Insurance Division;
- examination, analysis and assessment of financial and management information produced by the Agency;
- review and assessment of premium and indemnity policies currently in place; and
- review of the P.E.I. Crop Insurance Act and Regulations.

LEGISLATION

7.5 The P.E.I. Crop Insurance Act enables the Province to participate in the Federal Crop Insurance program. The Federal-Provincial Crop Insurance Agreement requires that every insurance plan be self-sustaining.

7.6 We observed that this requirement is not contained in the Province's Act, or in the Agency's plans and objectives.

7.7 For several years our annual financial audit has noted that deadlines established in the Regulations for receiving insurance applications, payment of premiums, final seeding, harvesting, and reporting of losses have not been enforced. Part of the problem is that some of the requirements cannot be enforced in a practical way.

7.8 **The Act and Regulations of the Agency should meet the requirements of the Federal-Provincial agreement.**

7.9 The Act and Regulations should be followed and those sections that are not enforceable should be revised or deleted.

FINANCIAL RESULTS

7.10 The Federal-Provincial Agreement states that Canada will pay one half of the determined premiums with farmers paying the other half. Administration costs are to be paid by the Province.

7.11 Each plan, over a 20 to 25 year period should receive sufficient premiums to cover accumulated deficits arising from indemnities paid. The goal of self-sustaining insurance plans has not been achieved. The total accumulated losses from inception to March 31, 1988 were $5.2 million.

7.12 The Province has contributed $3.4 million to reduce the deficit. Since 1980, however, Cabinet has directed the Agency to recoup its accumulated deficit.

7.13 It is unlikely that most of the Agency's plans will ever be self-sustaining unless major changes are made. There are a number of underlying problems which need to be addressed. These are commented on in the following sections.

MANAGEMENT INFORMATION

7.14 Our audit revealed that the Agency produced insufficient performance information to meet the needs of the General Manager and the Board. Information to monitor key activities of staff and the performance of each of the Agency's insurance plans needs to be improved.

7.15 Since 1977 our office has recommended computerization of the Agency's record keeping, but this has still not been implemented. The acting General Manager has initiated steps to purchase a microcomputer this year.

7.16 Computerization could generate sufficient information to manage each plan and reduce calculation errors which now occur when determining loss ratios, average yields, and interest charges, as well as in the balancing of sub-ledgers. It would also facilitate applying loss ratios and surcharges on a variety basis rather than on each farmers overall acreage as is now done.

7.17 The Agency should develop a management information system to monitor the activities of staff, and the performance of each of the Agency's insurance plans.

7.18 The manual functions now performed to administer and control the insurance plans, should be computerized.

INDEMNITIES

7.19 Indemnities are paid to farmers for crop losses eligible under the Agency's insurance plans.

7.20 Our audit included an examination of the controls and procedures involved in the four major activities conducted to determine crop losses. These are: verification of insured acres; calculation of average yield; reporting of crop losses; and the adjusting of losses.

7.21 The Agency does not perform verification procedures to ensure the number of acres declared by the farmer is accurate. Management has stated that the two most common methods of verification; aerial photos, and field measurements, are too costly.

7.22 Verification of insured acres is critical to the claims process. Lack of verification can lead to inflated losses, unwarranted payment of indemnities, and ultimately affects the Agency's ability to achieve self-sustaining insurance plans.

7.23 Aerial photos should be used and/or field measurements taken for new growers and those with high losses or recurrent claims.

7.24 The Agency should verify, on a cyclical basis, the number of acres declared by farmers.

7.25 The farmer's average yield is used to determine the guaranteed insured production, which is compared to the actual harvest to calculate a crop loss.

7.26 The average yield should represent a farmer's historical yield over a number of years. In the case of potatoes it does not, because it is ten years before a farmer's own production is used to determine average yield. In the meantime the provincial average yield is often used which can result in higher indemnities being paid.

7.27 The Crop Insurance Division of Agriculture Canada recommended in 1986 that, for potatoes, individual experience would be better reflected by using a 6-7 year average and then progressing to a moving 10 year average. These recommendations have not been adopted.

7.28 We also observed that procedures to establish actual yields for most crops consisted of measuring the contents of the warehouse after harvesting. This is inadequate because status of ownership, previous sales, and the portion of the crop remaining to be harvested are difficult to determine.

7.29 The use of test row sampling methods is one means of accurately determining yield, but management has stated that insufficient manpower restricts more extensive use of this procedure.

7.30 **The number of years used to establish average yields should be reduced as recommended in the 1986 study by the Crop Insurance Division of Agriculture Canada.**

7.31 **Effective procedures for field measurement and yield testing should be implemented.**

7.32 In past years we have stated that many Proof of Loss forms which are used to report crop losses were dated after the allowable period.

7.33 In 1987-88, 31 out of 68 Proof of Loss forms examined, totalling $1.5 million, were signed after the date prescribed by the Regulations. Management advised that in many cases verbal notification was received on time.

7.34 **All reported losses should be formally documented. Documentation should be maintained on the nature of the loss and the date it was reported.**

MARKETING

7.35 In 1980, 585 farmers participated in the crop insurance program. In 1988, 353 farmers were insured, a decrease of 40 percent. Insured acreage has decreased by 32 percent. Nationally, however, the number of insured farmers has increased 17 percent and acreage has increased 50 percent.

7.36 Two insurance plans, potatoes and grain, account for most of P.E.I.'s declining participation. We observed that the majority of Island producers do not have crop insurance.

7.37 The reasons for farmers not insuring their crops are probably many. Studies in the United States to determine reasons for low participation revealed the following:

- poor condition of the farm economy;
- crop diversification was considered an adequate means of risk management; and
- other federal programs provide direct assistance at no cost.

7.38 We also noted during our audit that no documented marketing strategy exists to provide a process for; identifying and contacting those not participating, documenting reasons for not insuring, analyzing future client insurance needs, and providing for the most productive use of field agents in marketing.

7.39 The Agency lacks a promotion budget. The only advertising utilized by the Agency are departmental newsletters, pamphlets, calendars, and information booths at local fairs and exhibitions. The use of television and radio is restricted.

7.40 Furthermore, the insurance plans have remained virtually unchanged over the past ten to fifteen years with little new being offered to attract clients.

SUMMARY

7.41 Inadequate inspection and verification of insured acreage, failure to verify yields, inadequate performance information, lack of enforcement of regulation deadlines, no formal marketing strategy, and low participation have all contributed to the poor financial and operational performance of the Agency and its insurance plans.

7.42 A review of the Agency is required. A similar review was conducted in Ontario concerning its crop insurance program. Over 275 submissions were received by the review committee from the public, farm groups, and other organizations resulting in several program recommendations.

7.43 **The Crop Insurance Agency and its insurance plans should be reviewed by government. This process should include input from the farming community and encompass all aspects of the Agency's plans and operations.**

7.44 The Agency is now considering our report.

8. WELFARE ASSISTANCE PROGRAM

INTRODUCTION

8.1 The Child and Family Services Division of the Department of Health and Social Services administers the Welfare Assistance Program. Authority for the delivery of this program is derived from the Welfare Assistance Act and Regulations which directs the Minister to provide assistance to persons in need.

8.2 The objectives of the Welfare Assistance Program are defined in the Departmental policy manual as follows:

- The Welfare Assistance Program shall provide the basic necessities of living to those who for physical, mental, social, or other reasons are unable to provide for their own basic needs.
- The Program shall provide timely and appropriate services to prevent social dependency or the perpetuation of dependency.
- The program will strive to restore disabled or distressed individuals or families to normal social functioning to the extent possible.

8.3 Welfare Assistance payments made through the regional offices for the year ended March 31, 1988 amounted to over $26 million, of this $22.5 million was for regular recurring benefits.

AUDIT SCOPE

8.4 In accordance with Section 13 of the Audit Act, an audit was performed to assess the controls and management practices in place over the processing of assistance payments. In addition we followed up on recommendations pertaining to Welfare Assistance contained in our 1985 Comprehensive Audit Report.

GENERAL

8.5 We concur with the need for a welfare assistance program to assist those unable to provide for themselves, and our audit did not question the objectives of the program. However, we did make a number of observations on the financial control and management of the program. Many of these observations were made in our audit report in 1985 and the situation has not improved.

8.6 In our opinion, the Director of the program is concerned and has made efforts to improve the control in the regional offices. However, problems still remain, and the reality is that employees in the regional offices place most of their emphasis on program delivery, and control procedures are not given the necessary priority.

8.7 The Department will have to come to grips with this problem and strike more of a balance, if this program is to be properly managed and controlled.

8.8 The Deputy Minister has responded to our concerns and informed us of the Department's intended course of action.

8.9 The remainder of this report provides a summary of the observations and recommendations from our audit.

PLANNING

8.10 Part of the Department's planning process is the periodic compilation of operational plans for each program entitled "Program Directions". Operational plans provide the essential link between strategic issues and the budget process. The Welfare Assistance Program Directions have not been updated since 1984.

8.11 **The Department should develop an operational plan for the Welfare Assistance Program and have it reviewed and updated annually.**

CALCULATION AND DOCUMENTATION OF ASSISTANCE

8.12 The audit work performed to determine if controls are in place to ensure that all payments processed are complete, accurate, and authorized, indicated that the risk of overpayments and inconsistencies in assistance levels is substantial.

8.13 The departmental policy dealing with the completion of applications requires the verification of certain information about income, assets, and expenses. In 45 of 166 files examined, it was difficult to determine to what extent, if any, verification was performed.

8.14 Departmental policy requires the completion of an application form and a case action record (CAR) for new applications as well as re-applications and annual reviews. These documents require both client and worker signatures. Our sample disclosed instances where these documents were not completed as required or one of the required signatures was missing.

8.15 According to policy, minor changes in payment amounts require the completion of a CAR document with supporting information including both the client's and worker's signature. Staff in one region informed us that the client's signature is not obtained for minor changes. However, we found several examples of changes in that region, where the adjustment of the net monthly benefit was significant and the client's signature was not obtained.

8.16 **Items of income and expense should be verified and documentation maintained to indicate that verification was performed. Minimum verification procedures should be defined by Division Management.**

8.17 **Established policies regarding documentation to be completed when determining initial and continuing eligibility should be followed.**

8.18 Recipients' signatures should be obtained for all but the most minor changes to the amount of assistance granted.

SIGNING AUTHORITY

8.19 Control over signing authority is necessary in the Welfare Assistance Program, to ensure that all payments are properly authorized, and to provide assurance that regulations have been applied correctly. We have raised concerns on this matter in several previous reports.

8.20 Before workers are granted signing authority, it is essential they prove that they can apply the financial assistance regulations. We noted that differences exist between regions in the criteria used for assessing whether a caseworker is ready to be granted signing authority.

8.21 On regional lists of persons with caseworker signing authority we found ten individuals who, according to central office records, had never been granted such authority.

8.22 Upon follow-up with central office staff, we were provided with a document signed by a Division Director, which delegated signing authority for payments out of the welfare accounts to processing and clerical staff in two regional offices. When the signing authorities authorized by these regions and central office were combined, almost every clerk, administrative officer, and secretary in two regions had signing authority.

8.23 The previous paragraphs illustrate two problems with signing authority. First, according to the legislation, the authority to grant welfare assistance to individuals must be delegated by the Minister. Not only were there instances where there were no letters signed by the Minister for individuals who according to the regional offices had signing authority, but also signing authority was delegated to processing staff in a letter signed by a Division Director who was not responsible for the Welfare Assistance Program.

8.24 Secondly, there is no distinction made between the signing authority granted to processing and clerical staff, and the signing authority granted to welfare assistance caseworkers.

8.25 Objective criteria should be developed and used consistently from region to region to assess whether caseworkers should be granted signing authority.

8.26 Division management should ensure that the delegation of signing authority is in accordance with the Welfare Assistance Act Regulations, and is strictly enforced.

8.27 Where processing staff are required to have some signing authority, the limitations should be clearly defined.

8.28 Program policies cover many different areas that require the authorization of the Regional Director or the Program Director, for example, major transactions and exceptions to regular policies.

8.29 In our sample of financial assistance files a number of payments did not have the required Director's authorization.

8.30 **Departmental policies establishing various levels of signing authority should be followed.**

SERVICE DELIVERY

8.31 In support of the Program objectives, the policy manual states that workers are expected to develop with the individual or family a case plan agreement identifying a commitment to specific goals, tasks, and services. In our sample there were numerous files where service plans were not developed or the details were vague. In one region we were informed that a service plan is only completed at intake and is not updated annually as required by the policy manual.

8.32 Supervisors indicated that the intent of the policy is being followed but adequate records are not kept. Where service plans are not developed, service delivery may be inadequate or inappropriate.

8.33 **A service plan should be developed for each welfare assistance case as required by policy.**

8.34 A mail-in-review process was implemented for certain clients who are mentally or physically handicapped, and single or older people who are considered unemployable. For these clients direct contact is required every three years, as opposed to a yearly visit with the regular review process. This process represents a major shift of emphasis away from service delivery for these clients.

8.35 During our audit some employees expressed concerns that the mail-in-review process was not entirely successful from a service delivery point of view.

8.36 **An evaluation should be performed on the mail-in-review process to determine if it is accomplishing its objective and is in accordance with the Welfare Assistance Program objectives.**

8.37 To ensure consistency in treatment of recipients and adherence to the Welfare Assistance Act, Regulations, and program policies, supervisory review of workers files is required.

8.38 Currently, financial assistance supervisors do not review files on a systematic basis. Once a caseworker is given initial signing authority, there is no regular procedure to determine if the regulations are interpreted properly and appropriate services are being provided.

8.39 The Division should establish a process for supervisors to periodically review a sample of each worker's files.

REGIONAL POLICIES

8.40 The Welfare Assistance Program is delivered through five different regional offices. Each region varies in size and population base and is administered by a regional director. With many different staff members involved in the decision making process and no two cases exactly alike, it is inevitable that differences in the interpretation of regulations and policies will result. The objective should be to minimize these differences in order to provide a consistent level of service to clients across the Province.

8.41 We found a number of regional polices which Division Management were not aware existed. Some of the policies address circumstances which could be expected to arise frequently, for example, maximum dollar amounts for the purchase of certain pieces of furniture and appliances, while other policies were developed as a result of an unusual or unique situation. These policies may result in clients in different regions being treated differently.

8.42 Regional policies are not necessarily undesirable. However, they should not exist unless they can be supported by regional differences and are authorized.

8.43 Regional policies should be eliminated where no regional differences exist. In areas where policies are needed, they should be approved by the Division Director.

SUPPORT FOR BASIC ALLOWANCES

8.44 Allowances for clothing, household, and personal supplies are not supported with relevant economic information. A list of standard items for clothing, household, and personal allowances has not been updated or costed since 1973. Only some of the periodic adjustments to the allowances since that time have been related to changes in the consumer price index. Standard items for each category of allowance, as well as the cost of these items, have changed significantly in the past 15 years.

8.45 The Department should define minimum standards for clothing, household, and personal supplies. These standards should be costed periodically and used as input in the adjustment of these allowances.

FINANCIAL OVERPAYMENTS

8.46 Financial overpayments are public funds granted in error which may reduce the total dollars available to other, more deserving beneficiaries. The Department has a responsibility to ensure that procedures are in place to prevent, detect,

record, and recover financial overpayments when they occur. The best way of controlling overpayments, however, is to prevent them from occurring.

8.47 At March 31, 1988, the outstanding balance of financial overpayments amounted to $879,000 comprised of 1,048 cases. The total number of financial assistance cases at the same date was approximately 4,500.

8.48 In our 1985 comprehensive audit report, we stated that financial overpayments had not been well managed and we made recommendations for improvements. Since then, a needs analysis was performed for the development of a new system to prevent and control overpayments, but no further action has been taken.

8.49 The amount recorded on the Overpayment Register does not include overpayments caused by an error in interpretation or judgment by the worker, provided they were granted in accordance with regulation and policy. The system should highlight these particular overpayments as they should be preventable through appropriate staff training.

8.50 Again, as in 1985, we have observed that the overpayment system does not provide for analysis of the causes of the overpayments.

8.51 An Overpayment Committee exists which reviews all cases of financial overpayments where regional management suspects fraud and all overpayments over $1,000. Minutes of the meetings are not kept and as a result there is no apparent documentation on why further action is not taken on some cases.

8.52 The observations reported in the previous paragraphs illustrate the need for prompt improvements in the management of financial overpayments. We have been informed that the Department's internal auditor is currently working on a project dealing with this issue.

8.53 The Financial Overpayment Register should include all overpayments regardless of cause.

8.54 A financial overpayment analysis system should be established which at a minimum:

- **identifies the cause of each overpayment;**
- **determines whether each overpayment should have been prevented by existing procedures;**
- **identifies the manner in which each overpayment was discovered;**
- **determines whether disclosure was or should have been the result of existing procedures; and**
- **makes recommendations to improve procedures for the prevention and detection of overpayments.**

8.55 The reasons further action is not taken on cases involving suspected fraud should be documented.

8.56 This year, we will be following up on action taken on these recommendations.

9. EMPLOYEE BENEFITS

AUDIT SCOPE

9.1 An audit of employee benefits was performed for the year ended March 31, 1988. Benefits included both those required by law and those negotiated in the collective agreement between the Province of P.E.I. and the Union of Public Sector Employees.

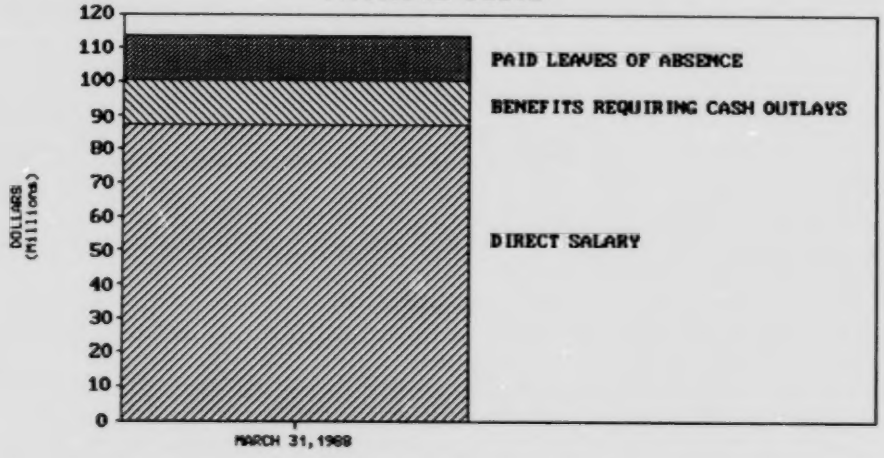
9.2 The audit included interviews, examination of leave forms, review of documentation, and a survey of government departments.

BACKGROUND

9.3 The cost to the Province in 1987-88 for employee benefits was about $26.6 million. This represents approximately 23 percent of the $114 million in salary costs.

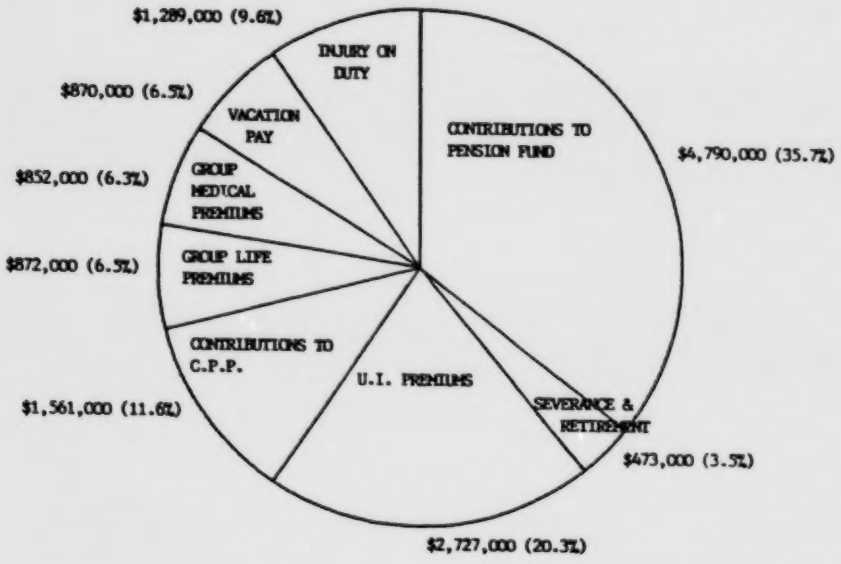
9.4 Employee benefits can be categorized into two types; benefits requiring direct cash outlays in addition to normal salary, and employee leaves of absence with pay. Exhibit 9.1 provides a breakdown of total payroll costs.

EXHIBIT 9.1
PAYROLL COSTS



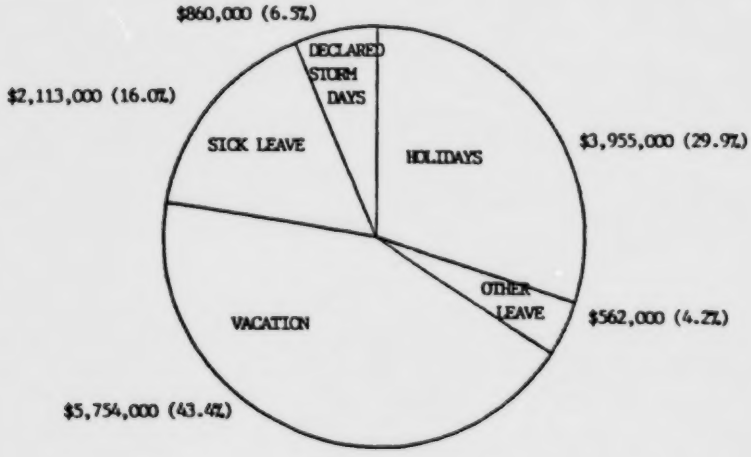
9.5 Benefits requiring direct cash outlays cost $13.4 million in 1987-88. A breakdown of the major benefits in this category is shown in Exhibit 9.2.

EXHIBIT 9.2
BENEFITS REQUIRING CASH OUTLAYS



9.6 The second type of employee benefits do not require a direct cash outlay. In 1987-88 the cost was $13.2 million. They comprise the various kinds of employee leaves of absence with pay and include vacation leave, sick leave, special leave, storm days, and holidays. For a summary of the estimated cost of each of these benefits, see Exhibit 9.3.

EXHIBIT 9.3
PAID LEAVES OF ABSENCE



INFORMATION SYSTEM

9.7 The Civil Service Commission's employee leave information system provides information to control sick leave, vacation leave, and special leave.

9.8 We found that many of the reports produced by the system were not being used by departmental administrators for the purpose intended. For example the Employee Leave Summary Report is provided to departments to allow for monthly reconciliations of the manual records to computer records; however, eight of the departments indicated they only reconcile on an annual basis.

9.9 We sampled employee leave transactions for a year and found a number of errors. These included incorrect employee numbers, data input errors, leave recorded in the wrong year, and some leave not recorded in the computerized system. There were also problems reconciling between different computer reports due to programming errors.

9.10 **The Commission should take action to correct the programming errors in the employee leave information system.**

9.11 **Government departments and agencies should be required to notify the Commission of any discrepancies between departmental personnel records and the Commission's periodic computer reports.**

INJURY ON DUTY

9.12 The collective agreement between the Province and the Union of Public Sector Employees provides for government employees to be granted injury on duty leave with pay. This is granted when they are unable to perform their regular duties because of personal injury received in the performance of their duties or illness arising out of their employment.

9.13 In certain instances employees are entitled to workers' compensation. In those cases, the Province pays employees under the collective agreement the difference between the amount of workers' compensation entitlements and regular earnings.

9.14 This provision in the agreement makes it possible for an employee to earn more after-tax income while on workers' compensation than if the person were actually working. This happens because workers' compensation payments are not taxable. So, while a person would receive the same gross income, only a portion of it would be taxable.

9.15 The Annual Report of the Civil Service Commission indicated the cost of work related injuries for the calendar year 1987 was $1,258,000, an increase of 16.4 percent from the $1,081,000 cost in 1986. The Commission also commented in their report that, "possible abuses of the system are also worthy of attention".

9.16 For the fiscal year ended March 31, 1988, the cost of work related injuries was $1,398,000. Of this amount, $925,000 was billed by the Workers' Compensation

Board and paid by the Province. The costs claimed by the Board were not verified by the Province.

9.17 **Treasury Board should continue to examine the provisions in the collective agreement related to injury on duty leave, to determine if a more economical and reasonable approach can be negotiated.**

9.18 **Treasury Board should investigate the increasing frequency and cost of work related injuries.**

9.19 **Costs claimed by the Workers' Compensation Board should be verified by staff at the Civil Service Commission.**

ADDITIONAL OBSERVATIONS

9.20 We had the following additional observations related to payroll costs:

- Special leave for employees donating blood at Red Cross blood donor clinics requires more control to prevent abuse.
- We observed several cases where leave in lieu of overtime was not approved in advance by the employing authority, as required in the collective agreement.
- Civil Service Commission staff indicated that employees are required to use sick leave for a doctor or dentist appointment. In our opinion, however, it is not clear in either the collective agreement or the Personnel Administration Manual, how these appointments should be handled.
- Most vacation leave forms in our sample were not approved in advance as required by the collective agreement.

9.21 The Minister of Finance indicated that our report was reviewed and the required changes will be made to policy and procedures.

10. CROWN ATTORNEY'S DIVISION

INTRODUCTION

10.1 The Crown Attorney's Division has a significant role in the administration of justice in this province. Its mandate is to represent the Attorney General in the prosecution of charges laid under the Criminal Code of Canada and Provincial Statutes. The Division also represents the Attorney General on all appeals arising from cases in this province. The objective of the Crown Attorney's Division is to fairly put cases forward in court to assure the proper administration of justice.

SCOPE

10.2 We performed an audit of the Division at the request of the Minister of Justice and Attorney General.

10.3 The objectives of our audit were to review the activities, staffing, costs and output of the Crown Attorney's Division and to recommend improvements where appropriate.

10.4 Our audit included interviews with the Director and staff of the Division, certain Judges of the Provincial and Supreme Courts, and others involved with the Crown Attorney's Division. We also examined various reports, files, documents, financial records, and statistical reports.

MANAGEMENT OF THE DIVISION

10.5 The scheduling of work is not planned in an organized way. Work is scheduled from week to week but because of time and staff shortages, management does not adequately direct and control activities.

10.6 There are no documented guidelines for directing staff and operating the Division. The wide range of activities and sensitive areas renders procedural guidelines necessary, not only for protection of the staff but also for efficiency of operation.

10.7 Staff appraisals were not performed on either full time or contract staff. The Director stated he did not have time to review and assess the work of his staff and contract lawyers. Performance appraisal is an important management tool which can be used to improve future performance.

10.8 Management information, essential to direct and control the Division, was inadequate. Basic summary information such as number of cases assigned, case preparation time, and court attendance time was not available. Also information on Division activities was not summarized and reported in the Department's annual report to the Legislature.

10.9 The Division's microcomputer is currently used as a word processor only, instead of also being used to summarize and retrieve information regarding cases and court activities. Better utilization of the computer would reduce the research work of the Crown Attorneys and provide information needed to improve Division management.

10.10 Division management should make increased efforts to organize and schedule work, control and direct staff, and review staff performance.

10.11 An operations manual should be developed which sets out procedures and provides guidance on the activities of the Division.

10.12 Management information required to direct and control the activities of the Division should be prepared and provided to the Director on a regular basis.

10.13 The Division's activities should be reported to the Legislature through the Department's annual report.

WORKLOAD

10.14 In order to assess the workload in the Division in relation to the Crown Attorney's offices in other jurisdictions, we obtained caseload and cost statistics for comparison. Any comparison based on statistics alone is not conclusive because it does not take into consideration the complexity of cases, the research needed, and professional judgment required.

10.15 However, these factors are present in all jurisdictions and on an overall basis their impact should be similar. A comparison of caseload statistics with the other Maritime provinces revealed that P.E.I. had the lowest costs per case, the lowest costs per capita and the highest caseload per attorney. This information was consistent with the other findings from our audit.

10.16 The court system contains the Supreme Court Trial Division with four judges, the Supreme Court Appeals Division with three judges, and the Provincial Court with three judges who service five locations.

10.17 We reviewed the scheduling for court appearances, pre-trial conferences, and chamber appearances. The time required by Crown Attorneys for case preparation and court attendance is substantial, and has increased significantly in recent years.

10.18 This is due mainly to changes in legislation and government programs affecting the Charter of Rights; young offenders; domestic violence; child abuse; sexual assault; drinking and driving; and victims rights. Also, more pre-sentence reports are being prepared by probation officers which take additional time to study and present.

10.19 Appeals have increased because of the Charter of Rights and changes in the Criminal Code, which also adds to the workload of the Division. We observed

that 85 percent of the appeals are handled by the same Crown Attorney and suggested that the appropriateness of this arrangement be assessed.

10.20 Because of the workload demands, the Director has become involved in casework to the extent that he does not have time to direct, advise, and supervise the staff. In addition, lawyers are contracted on a part-time basis when there are time conflicts, sickness and vacations. This causes additional problems if cases are not completed or if the lawyer is not familiar with the operation of the Division. The Director stated that if the money spent on part-time contracts was used to hire additional staff it would be a better use of funds.

10.21 The impact of the heavy workload on the proper discharge of the Division's responsibilities will have to be dealt with. Otherwise there can be no assurance that the Crown Attorney's office is adequately representing the Attorney General and the Public in prosecuting criminal cases.

10.22 **The Department of Justice should develop a plan of action to deal with the workload and staffing problems in the Crown Attorney's Division.**

10.23 The Department of Justice agreed with our report and has already acted upon a number of recommendations.

11. GOVERNMENT PURCHASING

INTRODUCTION

11.1 Purchases for government departments are required to be in accordance with the Public Purchasing Act and Regulations which came into effect in 1985.

11.2 During 1987-88, 11,500 purchase orders and 10,600 local purchase orders were issued. These were valued at $15 million and $600,000 respectively.

SCOPE

11.3 We performed a government-wide audit of the purchasing function in accordance with Section 13 of the Audit Act.

11.4 The objective of the audit was to review the process to provide materials, supplies, furniture and equipment for Government, and determine whether purchasing activities are appropriate, and in accordance with the Public Purchasing Act and Regulations.

11.5 Audit projects included performance criteria which the Director of Purchasing agreed were reasonable standards against which purchasing activities could be measured.

11.6 Our audit included an examination of the purchasing activities conducted by Purchasing Division and the departments.

PURCHASE ORDER PROCESS

11.7 The Public Purchasing Act and Regulations prescribe procedures to be used when issuing purchase orders. These include procedures for requisitions, tendering, authorizations, and maintenance of a vendor list.

11.8 Our audit included testing a **sample** of 282 purchase orders with a total value of approximately $2 million.

11.9 We found a number of transactions in our sample which did not comply with the Public Purchasing Act.

- Purchases over $1,500 have to be tendered, however, we found a number which were not. Most of these were "open" purchase orders where requirements were estimated at less than $1,500.
- We also found instances where tenders resulted in purchases exceeding $50,000 but were not advertised publicly. Again, a number of these were "open" orders for microcomputer equipment which is tendered based on estimated requirements. One of these tenders resulted in purchases which exceeded $300,000 but was not approved by Treasury Board.

11.10 Purchasing Division should comply with the Act and Regulations which require that: all purchases over $1,500 are tendered; all tenders over $50,000 are advertised publicly; all tenders over $50,000 are approved by the Minister of Finance; and all tenders over $250,000 are approved by Treasury Board.

11.11 We also noted in our sample instances where:
- trade discounts were not taken advantage of;
- goods were received after the year end but charged to the preceding year; and
- goods were received that were not properly signed for.

11.12 The following improvements should be implemented:
- **trade discounts should be taken;**
- **goods and services should be charged to the period in which they are received; and**
- **receiving slips should be properly signed and dated for goods received.**

COMPLIANCE WITH THE PUBLIC PURCHASING ACT

11.13 To ensure that required purchases are made in accordance with the Public Purchasing Act, we examined a sample of non-purchase order transactions totalling $1 million. Purchases required under the Act include all supplies required by a department for the transaction of its business.

11.14 We found several transactions in our sample where supplies were not purchased through the Purchasing Division. While the purchases may have been made with due regard for economy, they should have been purchased under the Public Purchasing Act.

11.15 These payments were processed without being flagged as violations of the Purchasing Act.

11.16 Departments should ensure that all supplies are acquired in accordance with the Public Purchasing Act.

11.17 Also included in our sample were a number of fuel purchases. Fuel is tendered in bulk by the Department of Transportation and Public Works without the involvement of the Purchasing Division as required by the Act.

11.18 All fuel should be purchased in accordance with the Public Purchasing Act.

11.19 The Public Purchasing Act applies only to departments and does not include Crown Corporations. By exempting Crown Corporations there is no assurance that commonly used goods such as office furniture, office supplies, and vehicles are purchased with the same regard for economy as goods purchased for government departments.

11.20 In our opinion there is little justification for exempting all purchases of Crown Corporations, especially for commonly used goods where the Province can obtain a better price by purchasing large quantities.

11.21 Consideration should be given to requiring certain purchases of Crown Corporations to be made through the Purchasing Division.

11.22 In our sample we noted a number of items which could fall under the Public Purchasing Act. These involve supplies, where services represent a component of the total cost. Included are meals for the Prince County Jail, electrical temporary services, and landscaping maintenance.

11.23 These purchases may or may not be within the definition of supplies under the Public Purchasing Act. However, standardized tendering procedures would be appropriate.

11.24 A clearer definition of supplies and services under the Public Purchasing Act is required.

11.25 Treasury Board should establish guidelines to ensure all services and supplies are acquired as economically as possible by departments.

LOCAL PURCHASE ORDERS

11.26 Local purchase orders are used by departments to purchase supplies under $100. These supplies do not have to be acquired through the Purchasing Division.

11.27 We noted weaknesses in the issuance, authorization, and use of local purchase orders.

11.28 Local purchase orders should be issued, authorized, and used in accordance with the Public Purchasing Act and Regulations.

12. MICROCOMPUTERS

INTRODUCTION

12.1 Microcomputers are firmly established in the operations of government. They are used on a daily basis for wordprocessing, communicating with national databases, creating paylists, statistical analysis, and any number of other applications to improve the operations of government.

12.2 Microcomputers are not expensive on an individual basis, and usually cost less than $5,000. They can improve a department's operations dramatically by providing accurate, reliable, and timely information.

12.3 The Province owns approximately 200 microcomputers costing in excess of $1 million. When the related costs for training, maintenance, furniture, and salary are included, the Province's investment in microcomputers is significant.

SCOPE

12.4 We performed an audit of microcomputers in accordance with Section 13 of the Audit Act.

12.5 As part of the audit we examined the management processes in place to control the planning, acquisition, and utilization of microcomputers. Audit projects included performance criteria agreed to by the management of Computer Services Division.

12.6 Our audit did not include a review of mainframe terminals, standard typewriters, or telecommunication machines.

PLANNING

12.7 Microcomputers should be adequately planned to ensure they are introduced by departments with minimum disruption and maximum effectiveness.

12.8 Treasury Board issued a policy in May 1988 which requires each department to prepare a Computer Application Plan. Most departments have a plan prepared for the 1989-90 fiscal year.

12.9 The plans priorize required computer applications so that a short term action plan can be prepared. The action plans are intended to support budget requirements.

12.10 The Treasury Board policy requires that both costs and benefits be clearly stated in the computer application plans. Our review of computer application plans indicated that benefits are generally stated but are not always quantified where appropriate.

12.11 **Departments should ensure that all benefits of proposed microcomputer acquisitions are clearly indicated in the Computer Application Plans. Benefits should be quantified where appropriate.**

12.12 Microcomputers which meet the identified needs of users should be acquired as economically as possible. Acquisitions costing over $12,000 require the approval of the Computer Priorities Committee, while those costing less than $12,000 require the approval of Computer Services Division.

12.13 During the audit we noted a few instances where controls over the acquisition of microcomputers were circumvented.

12.14 **All acquisitions of microcomputers should be in accordance with Treasury Board Policy.**

UTILIZATION

12.15 The use of existing microcomputers should be maximized before additional equipment is purchased. We found that most departments did not monitor daily usage, so it was difficult to determine how much the microcomputers were being used.

12.16 **Microcomputer usage should be monitored to determine the extent of utilization.**

12.17 Adequate documentation of computer applications is important to ensure operations continue when systems have to be updated or the loss of a key employee occurs.

12.18 The quality and amount of documentation varied widely between departments. Some departments had documentation policies but several did not.

12.19 **Departments should ensure that applications are adequately documented.**

12.20 A systems development methodology should exist to ensure the orderly development of applications. Computer Services Division has suggested a methodology which is used by some departments. There were five departments which had no documented development procedures.

12.21 **All departments should have documented systems development procedures.**

SECURITY

12.22 The data and programs processed on microcomputers should be adequately protected. We found that most microcomputers were only protected by general building security. This is not adequate for most microcomputers given the nature of the information stored on them.

12.23 For example, payment information or correspondence that would normally be locked in a filing cabinet when in paper form, is not given the same protection when stored on a microcomputer.

12.24 There are a number of commercially available security products which provide deterrents to unauthorized access to microcomputer information. These include password programs, physical security devices, locks, and encryption devices.

12.25 **Control over physical and electronic access to microcomputers should be reviewed for each installation. Control procedures appropriate to the sensitivity of the data being processed should be designed to ensure microcomputers are adequately protected from unauthorized access.**

12.26 Important computer programs and data files should be backed up in case information is accidentally or intentionally destroyed.

12.27 We found a number of departments where backup information was not adequately stored. In these departments it would be difficult, if not impossible, to reconstruct microcomputer files if the information was destroyed.

12.28 **Departments should review microcomputer applications and identify those that require information to be backed up and stored off site.**

LICENSE AGREEMENTS

12.29 The use of commercially available software is governed by licensing agreements. One of the conditions of the agreements is that the software not be copied except for use as a backup.

12.30 **The Computer Priorities Committee has issued a directive on this matter and it is imperative that it be complied with.**

13. P.E.I. HOUSING CORPORATION

INTRODUCTION

13.1 The Housing Corporation was established in 1969 to carry out housing strategies identified under the Comprehensive Development Plan.

13.2 The mandate of the Corporation is to provide low and moderate income Islanders with increased access to adequate housing.

13.3 The Corporation owns $40 million in assets, incurs annual expenditures of $8 million, and employs 45 staff operating out of a head office and 5 regional service centres.

SCOPE

13.4 An audit was performed on the operations of the Corporation, under section 13 of the Audit Act. Our audit included the following procedures:

- interviews with the General Manager, Division Directors, and Regional Managers;
- examination, analysis and assessment of financial and management information; and
- review of the Housing Corporation Act and Regulations.

ROLE OF THE CORPORATION

13.5 Our audit revealed that a number of developments have occurred recently which affect the operations of the Corporation and the role it plays in delivering housing programs within the province.

13.6 In its attempt to reduce Federal housing expenditures, CMHC offered the Provinces full responsibility for the delivery of all federally designed housing programs in return for provincial agreement to share the costs. In the past, CMHC delivered and paid for many programs.

13.7 Prince Edward Island did not accept the proposal because of inflexibilities in the design, control, and administration of programs. As a result, according to Corporation documents, CMHC began to aggressively seek out non-profit groups to take on the delivery of as many of P.E.I.'s social housing unit allocations as possible.

13.8 The result is that the volume of housing units constructed by the Housing Corporation has been declining and private non-profit groups have taken on an increased role in the housing industry. The number of units constructed by the Corporation was 103 in 1986; 73 in 1987; and 43 in 1988.

13.9 According to the Corporation, provincial housing policy is the tool used to help shape the housing environment to its most positive potential. Although the overall number of units constructed in the Province has not diminished, it is evident that the Corporation's role in the social housing sector has been altered. The Province's ability to influence project sizes, locations, and client groups has been reduced.

13.10 A further development has been the phase out of the Residential Rehabilitation Assistance Program now delivered directly by CMHC. Even though the number of applications were declining each year, the program represented the largest workload of the five regional offices and has already affected staffing requirements.

13.11 The apparent shift of senior citizens to the urban centres has been identified as a problem that will require decisions on alternate uses for vacant units.

13.12 The need for an increased focus on the maintenance of existing Corporation assets will also have to be addressed.

13.13 **In our opinion, these developments all impact on the Corporation's ability to help shape the housing environment to its most positive potential and therefore affect its role.**

PLANNING

13.14 The Corporation has undertaken a number of planning efforts, however, strategic and operational planning as a whole need improvement. For example, a three year capital construction schedule is prepared, but it does not identify the number of units to be constructed by the Corporation and other private non-profit groups.

13.15 In our opinion, a more formal approach to planning is required. The identification of critical issues is a first step but it needs to be supplemented with a strategic plan. The plan should outline the course of action to resolve these issues, in accordance with the mandate of the Corporation. In addition, an operational plan should be developed and documented to establish accountability for the achievement of corporation objectives.

13.16 **The Corporation should prepare a strategic plan that deals with the critical issues facing the Corporation.**

13.17 **Operational plans should be documented and contain the following program information; objectives, activities to be conducted, financial and human resources required, expected results, and the performance information required to monitor and measure achievement.**

STAFFING

13.18 The Corporation's 1986 Regional Staffing Requirements Study identified workload activities, activity levels, time standards and the number of staff required for its Housing Officer and Property Standards Officer positions. Since that time many changes have occurred to indicate that another assessment of staffing is required for these and other positions.

13.19 The following changes have a direct effect on staffing and need to be considered by management:

- A program requiring 1,000 staff hours has been eliminated.
- Actual activity levels for some programs have fallen short of projected activity levels.
- On site rent collection will eventually be eliminated.
- One new program has been added.
- Early retirement of some staff has occurred.
- Some staff are to be transferred to Community and Cultural Affairs.
- A declining construction program has occurred in part because of the private sector delivery of CMHC programs.
- There is a need for increased focus on maintenance of the Corporation assets.

13.20 **The Corporation should re-examine its staffing requirements in light of the many changes that have taken place since its Regional Staffing Requirements Study.**

MAINTENANCE

13.21 The Corporation's housing portfolio of senior citizens buildings and family housing buildings is substantial, costly, and aging.

13.22 Maintenance of assets now represents the largest workload of the five regional offices and has risen from an annual cost of $761,000 in 1983 to $1,421,000 in 1988.

13.23 The Corporation is directly responsible for 105 senior citizen buildings containing 1,082 units located in 39 communities. Also through local housing authority boards, the Corporation is ultimately responsible for 162 family housing buildings containing 342 units.

13.24 Our audit indicated there is insufficient documented evidence on preventative maintenance procedures. Although checklists for maintenance procedures were in existence for some time, staff did not start completing them until after the audit began.

13.25 We observed that the role of the Technical Services Supervisors in Prince and Kings Counties has been reduced in the past five years by management. In these regions the Regional Managers have assumed responsibility for supervision of the day to day maintenance operations. In Queens County this responsibility remains with the Technical Services Supervisor.

13.26 An analysis of maintenance staff requirements similar to the study of Regional Staffing Requirements has not been conducted by management. This combined with the lack of any time reporting system does not enable the Corporation to assess if each region is properly staffed to carry out its maintenance responsibilities. There are inconsistencies from region to region in the number of units per staff and the number of buildings per staff.

13.27 **Preventative maintenance procedures performed should be documented.**

13.28 **A reporting system should be developed to monitor maintenance staff activities.**

13.29 **The Corporation should review its maintenance function to determine optimum staff requirements, and appropriate staff assignments and responsibilities for each region.**

PROGRAM DELIVERY

13.30 We reviewed four of ten programs administered by the Corporation. Matters considered were objectives, publicity and promotion, and delivery of the program.

13.31 The program objectives did not specify in measurable terms the expected results of the program. The Corporation agrees additional emphasis is required in this area.

13.32 **Program objectives should be stated in measurable terms and actual results compared to expected performance on a regular basis.**

LAND PURCHASES

13.33 We examined 3 of 13 separate land transactions representing $170,000 of the total purchases of $300,000. These transactions were reviewed in detail to determine actual controls over land acquisition, and to assess if decisions to purchase land were based on full information.

13.34 The procedures carried out to acquire land were not adequately documented in the file for each property. We were advised that adequate procedures were performed. Management stated that in the future documentation will be filed for each transaction.

13.35 **The Corporation should formalize land acquisition procedures and ensure supporting documentation is on file.**

14. ADDICTION SERVICES OF PRINCE EDWARD ISLAND

INTRODUCTION

14.1 Addiction Services was established to assist the Minister of Health and Social Services in the administration of the Addiction Services Act. Programs are delivered by three private County Boards: Kings County Addiction Services; Prince County Addiction Services; and the Alcohol and Drug Problems Institute in Queens County.

14.2 The objectives of Addiction Services and the contracted private County Boards are to provide safe, medically supervised treatment of chemical dependency to clients and their families, and to raise public awareness of the issues and problems related to chemical use.

14.3 Addiction Services has a total operating budget in excess of $3 million and employs approximately 130 people. Exhibit 14.1 provides some statistical information on its operations and programs.

Exhibit 14.1

ACTIVITY SUMMARY

	Central Office	Alcohol and Drug Problems Institute	Prince County Addiction Services	Kings County Addiction Services	Total
Expenditures 1987/88	$224,600	$1,311,100	$923,000	$681,300	$3,140,000
Staff	5	50	41	31	127
Statistics 1986/87*					
Detox admissions	-	797	654	521	1,972
Assessment admissions	-	1,478	-	-	1,478
Residential Rehab. Admissions	-	360	86	-	446
Non Residential Rehabilitations	-	342	85	-	427
Aftercare sessions	-	374	327	153	854
Long term care	-	159	118	52	329
Education/awareness					
Sessions	31	218	253	117	619
Attendance	498	3,960	6,318	2,510	13,286

*Summarized from the Annual Report of Addiction Services

AUDIT SCOPE

14.4 An audit was performed on the Addiction Services section of the Department of Health and Social Services. Our audit focused primarily on the activities critical to the achievement of objectives.

14.5 The audit included an examination of the management practices in Addiction Services and the accountability relationships between Addiction Services, the three County Boards, and the Minister.

14.6 Audit projects included performance criteria which management of Addiction Services agreed were reasonable standards against which their activities could be assessed.

ORGANIZATION STRUCTURE

14.7 The Minister of Health and Social Services is responsible for Addiction Services. To assist him there is a Director of the Central Office of Addiction Services who oversees and coordinates efforts related to administration. The delivery of individual programs is contracted to a non-profit board in each county.

14.8 The decentralized structure of Addiction Services was recommended by an Advisory Committee in 1979 and the current structure has evolved in response to this emphasis.

14.9 The audit revealed several concerns with the authority, responsibility and accountability requirements of Central Office and the County Boards. For example, under the Act, the Director of Central Office must assist the Minister in the discharge of his responsibilities. He does not, however, receive sufficient information from the County Boards to perform this function. Similarly, two County Directors stated they do not have sufficient input into program budgets, which they consider a limitation in allocating resources to activities with the highest priority.

14.10 Our assessment is that the roles of Central Office and the County Boards are not clearly understood. This problem is becoming more acute as the Boards seek more autonomy, and Central Office attempts to exercise its responsibilities under the Act and Regulations.

14.11 The Minister, in consultation with Central Office and the County Directors, should clarify the authority, responsibility, and accountability requirements of each Board and Central Office.

CONTRACT PERFORMANCE

14.12 The Minister contracts with the County Boards for the provision of programs including; detoxification, rehabilitation, public education, and information. To ensure that the Boards are fulfilling the requirements of the contracts, it is necessary to monitor their activities.

14.13 Central Office attempts to monitor the boards through meetings with the County Directors, reviewing extracts of Board minutes, reviewing statistics, and visiting each county office. We found that while each of these activities provides some insight into the operation of the Boards, sufficient appropriate information is not being provided to monitor contract performance.

14.14 In addition, certain requirements of the contract require that regular inspections be performed by Central Office. These include condition of files, confiden-

tiality procedures, facility maintenance, dietary services, and adherence to the manual of procedures. These requirements are either not performed or are carried out on an ad hoc basis.

14.15 Central Office should establish an inspection process to ensure all requirements of the contracts are met. The results of inspections should be documented and any recommendations forwarded for action to the County and Central Office Directors.

MANAGEMENT INFORMATION SYSTEM

14.16 Timely and relevant information is essential to enable management to make informed decisions aimed at achieving the objectives of Addiction Services. Central Office requires the information to ensure programs are coordinated on a provincial basis and provided consistently. The Boards require it to ensure programs are delivered in accordance with their objectives.

14.17 In order for Central Office to satisfy its requirements under the Act certain information should be provided on program activities, quality of care, trends, comparison of actual program performance to standards, and the cost effectiveness of each program. We found that most of this information was not being provided.

14.18 The current system consists of monthly utilization statistics for each program. Although this information is useful for monitoring activity, it does not adequately assist in determining whether program objectives are being achieved.

14.19 The County Boards do keep extensive information in each client's file but it is not summarized and used in determining whether programs are achieving their objectives.

14.20 The Director of Central Office should ensure that sufficient management information is provided by County Boards on a monthly basis. This information should be used to assess the effectiveness of the programs in each County and to compare with other jurisdictions.

PLANNING

14.21 The formal planning for Addiction Services consists of the annual preparation of the strategic overview for Policy Board, and the new initiative submission and operating budget for Treasury Board.

14.22 Many of the emerging issues that affect Addiction Services are being identified in these processes. However, the objectives of each proposed program were not clearly stated, estimated program costs were not always indicated, and the impact of not addressing the issue was not included.

14.23 A documented operational plan is not prepared for Addiction Services to indicate expected program results, program activities, the process for monitoring and measuring results, the resources required, and the responsibility for implementation.

14.24 The budget for Addiction Services is prepared by Central Office with little input from the County Directors.

14.25 **An operational plan should be documented and include input from the County Boards.**

EVALUATION

14.26 Addiction Services has evolved in part because of extensive periodic evaluations. The evaluations have provided numerous recommendations and most of them have been implemented.

14.27 The most recent study is over five years old. The Act and Regulations, however, provide for continuous evaluation. Another evaluation would be appropriate at this time.

14.28 **An evaluation of Addiction Services should be conducted.**

14.29 At the program level, evaluation of individual programs should be performed regularly to ensure objectives are being achieved. An effective evaluation process should provide information which will allow each County Board to adequately assess their programs, provide a basis for comparison with other counties, and provide Central Office with the information required by legislation.

14.30 We found a variety of practices in use to evaluate programs in each County, including; monthly meetings, surveys, and individual assessments. These serve a useful purpose for the individuals in charge of programs but are not sufficient to evaluate programs from a Provincial perspective.

14.31 **The Director of Addiction Services should ensure a framework is established for program evaluation which fulfils the requirements of the legislation.**

14.32 Management agrees with our recommendations and intends to take action to deal with them.

15. P.E.I. LENDING AUTHORITY

INTRODUCTION

15.1 A follow-up audit of the P.E.I. Lending Authority was performed as requested by the Standing Committee on Public Accounts in its report of May 11, 1988.

15.2 The objective of our audit was to review progress on recommendations made as a result of our audit in 1987.

SCOPE

15.3 Our audit work consisted of interviewing management and staff, and examining various documents concerning matters raised in our previous audit report namely: Planning; Performance Appraisals; Lending Activities; and Loan Recovery.

PLANNING

15.4 When we issued our report last year, management informed us that the Authority did not have the manpower or the expertise to implement our recommendations on planning. In addition we were asked to provide more definitive detail on planning.

15.5 We provided management with additional information on some key areas that could be addressed in developing a plan for the Authority's activities. However, we stressed that a sophisticated planning process was not required and that planning could be done with existing resources.

15.6 We have been advised by the General Manager that the Board has directed a planning process be considered in conjunction with this year's review of the Authority's operations.

PERFORMANCE APPRAISALS

15.7 As a follow-up to our recommendation, we were advised that arrangements were made with the Civil Service Commission to assist the Authority in developing a staff performance appraisal system.

LENDING ACTIVITIES

15.8 The Lending Authority approved 139 loans amounting to $9.9 million during the period from April 01, 1988 to October 24, 1988. A sample of these loan files was examined to determine if management policies were followed.

15.9 In our previous audit report we commented on the non-compliance with loan policies and inadequate documentation for decisions.

15.10 All of the loan files examined in this year's audit sample met the established criteria for applicants, contained dated evaluation reports, were approved in accordance with staff recommendations, and were in accordance with loan restriction requirements.

15.11 In our opinion, the loan files sampled indicate that the majority of loan files are now complete as to documentation and security requirements, and that management policy is adhered to for lending activities.

LOAN RECOVERY

15.12 The loan receivable balance at September 30, 1988 was $55.5 million consisting of 1,500 loans. The balance in arrears was $11.5 million consisting of 200 loans, which does not include an additional $3 million in non-current loans.

15.13 Our audit procedures on loan recovery activities included the review of a sample of loans in arrears to determine what collection efforts were made, if recovery policies were followed, and if collection action was documented.

15.14 The results of our review indicate that the importance of documenting recovery action has been stressed by management as every loan in our sample contained sufficient documentation of recovery action taken. This is a substantial improvement since our 1987 audit.

15.15 In our opinion, collection activity for loans in arrears is well organized and documented in the loan files. Loans in arrears are monitored and follow-up action is performed on a regular basis.

15.16 In our previous audit report we noted that while the Board is informed of loans in arrears, the Authority's loan recovery policies do not set out the role of the Board in recovery efforts.

15.17 Management informed us that decisions to recover loans by foreclosures or receivers are made by the Board even though it is not stated in the policy.

15.18 We maintained the view expressed in our previous audit report that the policy should provide clear direction on decisions requiring Board approval. The Board has subsequently amended their policy to document the role of the Board.

CONCLUSION

15.19 We are satisfied that all matters raised in our 1987 report have been adequately dealt with.

REPORTS ON FINANCIAL AUDITS

16. INTRODUCTION TO FINANCIAL AUDITS

16.1 Section 13(1) of the Audit Act establishes my mandate for financial audits of the Public Accounts, Crown controlled or owned corporations, and of the trusts and funds held by any agency of government insofar as they are not subject to financial audit by an external auditor.

16.2 During the examination the auditor may observe problems in the quality of records and financial controls. Problems may also be observed in other areas. Any deficiencies or other matters are reported in a management letter addressed to the client.

16.3 Section 16 of the Audit Act determines my reporting duties to the Legislative Assembly. Accordingly I submit the results of my financial audits for the year ended March 31, 1988 in the sections following this introduction.

17. PUBLIC ACCOUNTS

INTRODUCTION

17.1 We performed an audit of the Public Accounts for the year ended March 31, 1988 which included the Consolidated Fund and All Funds financial statements.

17.2 Comments in this section include the progress being made on the Public Accounts presentation and specific items pertaining to this year's financial statement audit.

DISCLOSURE AND PRESENTATION

17.3 Last year a number of recommendations were made regarding the disclosure and presentation of the Public Accounts. The only recommendation implemented for the March 31, 1988 Public Accounts is the inclusion of a Statement of Responsibility by government. The Department of Finance has agreed to release a Summary Annual Financial Report next year.

17.4 The remaining recommendations have not received departmental approval and remain under study. These recommendations include: providing additional information on interest rates and maturity dates for loans receivable and loans payable; defining capital expenditures; and providing supplementary information by object or major type of expenditure.

17.5 The Public Sector Accounting and Auditing Committee recommendation on using valuation allowances to reflect financial assets at their net recoverable or other appropriate value, has not been implemented. Information is being obtained from other provinces to determine if implementation of this recommendation would result in consistent financial presentation with other provinces. If the Province complied with this recommendation, capital advances of $89 million for schools and hospitals would have been written off at March 31, 1988 and net debt would have increased by the same amount.

17.6 The Public Sector Accounting and Auditing research study on the appropriate presentation of acquired physical assets has not been completed and no further action on disclosure of information on physical assets has been taken.

17.7 In November 1988, the Public Sector Accounting and Auditing Committee issued two releases entitled "Defining the Government Reporting Entity" and "Accounting for Employee Pension Obligations in Government Financial Statements". These releases and their impact on the Public Accounts will be assessed this year.

17.8 We are continuing to work with the Department of Finance in promoting improvements to the Public Accounts to ensure users receive sufficient useful information.

FINANCIAL STATEMENTS - GUARANTEED DEBT

17.9 As at March 31, 1988 guaranteed debt for the All Funds and Consolidated Fund are disclosed as $39 and $48 million respectively. The Province was not required to make any payments on these guarantees in 1987-88.

17.10 For a number of years the province has guaranteed a loan to the Hog Commodity Board. The amount outstanding at March 31, 1988 was $4.2 million. In previous reports we have recommended that an appropriate loss provision be recorded in the Public Accounts for this guarantee.

17.11 In the past, the Province has taken the view that the Board would have ample funds to pay the loan off, but deteriorating hog prices in 1988-89 have made this unrealistic. The guarantee is expected to be $8 million by March 31, 1989.

17.12 The Minister of Agriculture has announced that the Province is willing to cover the loan if the producers agree to join the national tripartite stabilization program. If the proposal is accepted and the loan paid off, it is anticipated the necessary appropriations will be made at that time.

17.13 **An appropriate loss provision for the Hog Commodity Board loan guarantee should be recorded in the Public Accounts.**

SURPLUSES (DEFICITS) OF GOVERNMENT AGENCIES

17.14 Section 16(f) of the Audit Act requires the Auditor General to report any deficits of government agencies not covered by appropriations and any surpluses not paid into the Consolidated Fund. For the year ended March 31, 1988 we report the following.

Government Agency	Surplus(Deficit)
P.E.I. Crop Insurance Agency	(1,762,000)
P.E.I. Energy Corporation - Operating	323,000
- Capital	3,417,000
P.E.I. Food Technology Centre	155,000

The above entities have each been directed by the Lieutenant Governor-in-Council to carry over their surplus or recoup the deficit.

17.15 Section 16(g) of the Audit Act requires the Auditor General to report the total amount of any claims, obligations, debts or money due to the Province that have been discharged, cancelled and released under Section 17 of the Financial Administration Act. The amount written off under this section in 1987-88 was $586,000.

SINKING FUND

17.16 It appears that payments to the Sinking Fund for each bond issue are being made on an as needed basis to cover overdrafts in the Sinking Fund bank account. When we examined several Orders-In-Council authorizing the bond issues, they stated that an appropriation must be deposited in the Fund on or before the "anniversary" date of each bond issue. It does not appear that this provision of the bond indenture is being considered when payments are made.

17.17 **The requirements of the bond indenture should be adhered to and an orderly schedule of payments to the Sinking Fund should be prepared each year to fulfill this requirement.**

17.18 The Department of Finance has advised us that a monthly appropriation would be made to the Sinking Fund based on the annual allocation.

17.19 The Province has placed the investments of the two major pension funds with an external investment manager. The purpose is to earn a greater investment return.

17.20 **We recommended that the Department of Finance consider a similar strategy for the Sinking Fund.**

17.21 The Department advised that a comprehensive review of the investment policy of the Sinking Fund is planned.

18. APPROPRIATIONS

18.1 Our audit of appropriations included a review of the systems and procedures for the administration of the Province's annual budget. This entailed an audit of appropriations approved by the Legislature, additional appropriations approved by Executive Council on the recommendation of Treasury Board, and transfers approved by Treasury Board.

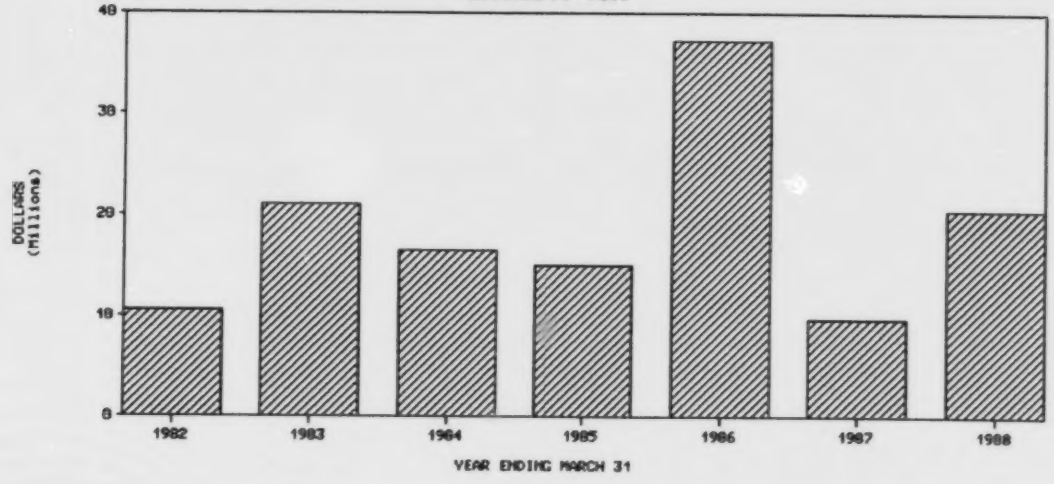
18.2 In **Schedules A and B** attached to this report we have compared appropriations with actual expenditures in accordance with the classifications in the 1987 Appropriation Act.

	SCHEDULE A ORDINARY ($000'S)	SCHEDULE B CAPITAL ($000'S)	TOTAL ($000'S)
Appropriations			
Original Act 1987 Session	$532,090	$ 34,842	$566,932
Supplementary Act 1988 Session	15,134	1,864	16,998
Increases by Order-in-Council	3,415	-	3,415
Total Appropriations	550,639	36,706	587,345
Actual Expenditures	546,011	36,027	582,038
Underexpenditures	$ 4,628	$ 679	$ 5,307

18.3 Section 16(h) of the Audit Act requires me to report on additional appropriations. Details are shown in **Schedule C** attached to this report.

18.4 For the 1987-88 year, additional appropriations totalled $20.4 million compared to $9.7 million in 1986-87. **Exhibit 18.1** which follows indicates the additional appropriations issued over the last seven years.

EXHIBIT 18.1



19. TEACHERS' SUPERANNUATION FUND

19.1 We performed an audit of the fund for the year ended June 30, 1988. At year end, fund assets totalled $62 million.

19.2 An actuarial valuation report of the fund as of July 1, 1987 indicated there was an unfunded liability of $129 million. Payment of pensions is guaranteed by the Province of P.E.I. under Section 10(3) of the Teachers' Superannuation Act.

19.3 Our audit disclosed that the interest received on one debenture was $4,900 less than the calculated amount. After discussing the matter, the Department of Education indicated they would contact the debenture issuer concerning the underpayment.

19.4 Another item noted was a $1,400 overpayment received in December 1987. Apparently, the payment should have gone to the Sinking Fund but the error went undetected until March 1988 when a shortfall was discovered in the Sinking Fund records.

19.5 From a sample of 1987-88 buybacks, we noted five files that did not have sufficient documentation to support the prior years service being purchased. Department staff indicated that the prior service would have been confirmed, however, the details were not documented in the files.

19.6 **All past service buybacks should be adequately supported.**

19.7 In May 1987, Section 20 of the Teachers' Superannuation Act was amended. Our audit noted two similar transactions where this section of the Act was applied differently.

19.8 **The Commission should ensure that Section 20 of the Act is administered consistently.**

19.9 In September 1988, an external manager was appointed for the Teachers' Superannuation Fund investments. In November 1988, the investment holdings were transferred to a custodian. While the Commission is no longer involved with the daily transactions, it is still responsible for ensuring investments are properly controlled and reported.

20. CIVIL SERVICE SUPERANNUATION FUND

20.1 We performed an audit of the Civil Service Superannuation Fund for the year ended March 31, 1988. Total assets of the Fund at that date were $85 million.

20.2 An actuarial valuation report on the Fund as of April 1, 1987 indicated there was an unfunded liability of $63 million. Payments out of the Fund are guaranteed by the Province of P.E.I. under Section 5 of the Civil Service Superannuation Act.

20.3 In successive reports, we have recommended that:
- the general ledger be posted and balanced on a monthly basis;
- the employee contributions subledger be balanced to the general ledger; and
- negative balances in the contribution subledger be investigated and corrected.

Appropriate action has not yet been taken on these recommendations.

20.4 **The Department of Finance should take immediate action to implement these recommendations.**

20.5 During the audit, we discovered ten separate instances where a cheque for investment income was received by the P.E.I. Civil Service Superannuation Fund and recorded as investment income. The same amounts were recorded by the external investment custodian as investment income and included in their year end cash balance. As a result, investment income and the year end cash balance were both overstated by $43,000. We have provided the Department of Finance with the details.

20.6 **An explanation detailing how this lapse in control occurred should be obtained from the custodian, and the custodian's control procedures should be reviewed to ensure that investment revenue is completely and accurately recorded.**

20.7 **The Department should assign to one employee the responsibility of reviewing capital and income transactions on an on-going basis.**

20.8 We also made comments concerning; the transfer of service where there is no reciprocal agreement, the Canada Pension Plan adjustment, and the repayment for service previously transferred to the Part-Time Pension Plan.

21. M.L.A. PENSION FUND

21.1 An audit was performed on the Fund for the year ended March 31, 1988. At year end, the Fund had assets totalling $3.4 million. An actuarial valuation report on the Fund as of April 1, 1987 indicated there was an unfunded liability of $5 million.

22. CASH MANAGEMENT REVIEW

INTRODUCTION

22.1 This project was undertaken in cooperation with the Department of Finance. The objective of the project was to analyze existing cash management practices, identify areas where improvements could be made, and recommend a course of action.

SCOPE

22.2 The project consisted of an evaluation of existing cash forecasting and management practices and included: discussions with Treasury Board, Revenue Division and Accounting Services Division staff; an evaluation of present cash flow information available to assist in making investing and financing decisions; an analysis of the general bank account balances; and a review of treasury bill and call loan activities.

PRESENT CASH MANAGEMENT/FORECASTING PRACTICES

22.3 Current information used in making short term investing and financing decisions includes various financial information system reports prepared by Accounting Services Division, budget estimates and quarterly forecasts prepared by Treasury Board, schedules of large revenue and expense items, outstanding cheque lists, and schedules of daily bank balances.

22.4 Although useful and necessary, these sources do not provide the integrated cash flow information needed to properly manage the Province's cash resources. Treasury Board, Accounting Services Division and Revenue Division staff agreed that the management of cash resources would be greatly improved if comprehensive future oriented cash flow information was available.

22.5 Existing cash management procedures need to be formalized. Information available within the Department of Finance and from other departments should be used more extensively to determine expected cash flow requirements.

22.6 Responsibility for cash management/forecasting activities needs to be clearly assigned within the Department of Finance. In addition, communication between the Department of Finance and other departments with respect to cash management/forecasting needs to be improved.

FUTURE DIRECTION

22.7 Based on the review, a number of items were raised that require further analysis and consideration by the Department of Finance. The main points made as a result of the project were:

- A cash management/forecasting function should be implemented to minimize debt costs and maximize investment revenues.
- The current mix and dollar amounts of short term debt instruments should be reviewed to ensure interest costs are minimized.
- Bank balances should be closely monitored and alternatives explored to ensure current account balances are neither excessive nor deficient.
- Weekend bank overdrafts should be reduced.
- Transactions with crown corporations should be reviewed to determine if cash management procedures are adequate.
- Transfers of funds from the general bank account to the Sinking Fund should be made according to a predetermined schedule.
- A cash forecasting model suitable for projecting cash requirements and availability should be developed.

22.8 The Deputy Minister of Finance supported the project and is currently studying the results to determine an appropriate course of action.

23. REVENUE DIVISION

23.1 We performed an audit of Sales Tax, Gasoline and Diesel Oil Tax, Health Tax, and Entertainment Tax. Following are the revenues for the year ended March 31, 1988.

Sales Tax	$76,619,000
Gas Tax	$17,607,000
Health Tax on Tobacco	$ 9,848,000
Entertainment Tax	$ 1,352,000

23.2 As a result of our audits, we made observations and recommendations to improve internal control. We also brought to management's attention, matters pertaining to the Legislation that require attention. The results of our audits are provided below.

SALES TAX

23.3 During the year the manual batch registers and the batch detail reports were not reconciled. This is an important internal control feature as it provides a control over the processing of information by Computer Services.

23.4 **We recommended that the manual batch registers and the batch detail reports be balanced on a regular basis.**

23.5 We noted that interest is not charged on tax due, provided it is received before the end of the month following the month the return was due. The amount of interest not being collected could be substantial.

23.6 We recommend that interest be charged in accordance with the Revenue Tax Act and Regulations.

GASOLINE AND DIESEL OIL TAX

23.7 At the time of our audit in July 1988, no reconciliation of the Gas Tax Revenue Ledger to the Province's Revenue Ledger had been performed for any portion of the 1987-88 year. Reconciliation work performed by our audit staff, in July 1988 revealed the Province's revenue ledger was overstated by $740,000 for 1988-89 and understated for 1987-88 by the same amount. The records were subsequently adjusted to their correct balance.

23.8 We recommend that periodic and year end reconciliations of the Gas Tax Revenue Ledger to the Province's Revenue Ledger be performed on a timely basis.

23.9 Another concern raised by our audit was that the Act and Regulations do not contain any provisions for interest being charged on late remittances. Although late remittances are not a significant concern at this time, consideration should be given to including a provision for interest on late returns in the Act or Regulations.

23.10 The Department plans to make the necessary provisions for interest to be charged.

HEALTH TAX

23.11 The present Act and Regulations makes no provision for interest to be charged on late remittances or for interest and penalty on amounts outstanding from audit assessments.

23.12 In our sample of cash receipts, tobacco tax was remitted by some vendors anywhere from 1 to 36 days after the due date. If interest of 1.5 percent per month was charged on what Revenue Division considers late payments, interest revenue for June 1988 alone would have been approximately $3,500.

23.13 In reviewing payment of amounts assessed on field audits conducted by the Revenue Division, payment dates were from 14 to 61 days after the completion date on some audits.

23.14 We recommended that a provision for interest on late returns and audit assessments be included in the Act or Regulations.

23.15 Section 19(1) of the Health Tax Regulations states, "On or before the fifteenth day of every month every wholesale vendor shall make a return to the Minister in a form approved by the Minister, of all sales of tobacco made by the wholesale vendor during the calendar month immediately proceeding and shall remit to the Minister the tax collected by him during the period". Based on how

the Act is being administered, not all vendors are consistently remitting their taxes and return within 15 days after month end.

23.16 **We recommended that all vendors be instructed to remit by the date established in the Regulations.**

23.17 Our observations were based on the way the Act and Regulations are currently being administered. However, it would appear that the present practice of basing remittances on sales or purchases rather than tax collected is not in accordance with the Act and Regulations.

23.18 **We recommended that Revenue Division ensure it is administering health tax collections in accordance with the Act and Regulations and obtain legal advice if necessary.**

23.19 The Department agreed with our recommendations.

ENTERTAINMENT TAX

23.20 From discussions held and a review of the Entertainment Act and Regulations, it appears a deadline was not established on when returns had to be filed or for what period they were to cover. This may explain why during the audit we found licensed operators who were not remitting returns or money over a 12 month period, or others who remitted on an irregular basis.

23.21 During our audit we noted instances where vendors were claiming a commission on late payments. Although this is not a major problem, commissions should only be allowed in accordance with the Act and Regulations.

23.22 We were informed that the revised Revenue Tax Act and Regulations will look after these concerns.

24. P.E.I. SELF-INSURANCE AND RISK MANAGEMENT FUND

24.1 In May 1986, Executive Council approved a Self-Insurance Program. Initially, no decision was made regarding the permanent structure of the Self-Insurance Program. In last year's report, we recommended that the legal status of the program be determined.

24.2 Effective May 19, 1988, an Act to Amend the Financial Administration Act was proclaimed establishing a fund to be known as the Prince Edward Island Self-Insurance and Risk Management Fund. This amendment also provides direction for the operation and management of the Fund.

24.3 As at March 31, 1988 the Program provided liability coverage for the Government of Prince Edward Island, some crown corporations, the five regional school units, the hospitals and the School of Nursing.

24.4 Insurance premiums for the year ended March 31, 1988 were $706,000.

25. DRUG COST ASSISTANCE PROGRAM

INTRODUCTION

25.1 The Drug Cost Assistance Program was introduced in January 1987 to assist seniors in obtaining drugs at reasonable prices. The administration of the program was contracted to the private sector.

AUDIT SCOPE

25.2 We reviewed the payment system for the 18 month period ended September 30, 1988. Program payments for this period totalled $2.2 million. Our review covered the procedures used to monitor the program by the Division of Pharmacy, and the computerized claims processing system used by the Administrator contracted by the Province.

25.3 Following our review, a management letter was issued to the Director of the Pharmacy Division, who oversees the program for government.

RECOMMENDATIONS FROM PREVIOUS YEAR

25.4 Last year we reported a number of weaknesses in the payment system. The following have not been corrected:

- The drug file report continues to include both eligible and ineligible drugs which makes it difficult to scrutinize the report for errors.
- The drug file report does not include a record count which is necessary for reconciling adjustments from one report to another.
- Program weaknesses exist for editing duplicate or inaccurate claims.
- Master and data files do not include adequate information to balance from one transaction run to the next.
- Applicants' ages are not being verified against a reliable source.

25.5 Although the department has initiated action to correct these control weaknesses, the necessary changes have not yet been made.

PAYMENT SYSTEM

25.6 The management letter included the following additional findings from this year's audit.

- An average of 34 percent of prescriptions are not signed by a physician because they are received by telephone. Sufficient compensating procedures are not performed by field auditors to verify the validity of these prescriptions.
- Field work performed by the Administrator to verify quantities prescribed, discloses variances only when quantities dispensed are higher than quantities prescribed. To ensure seniors are not overcharged variances should also be reported when quantities dispensed are less than quantities prescribed.
- We noted two instances in our sample where the editing function was not effective in flagging potential errors.

25.7 **The Department of Health and Social Services should ensure that all problems identified are corrected on a timely basis.**

26. COMMERCIAL FISHERMEN'S INVESTMENT INCENTIVE PROGRAM

INTRODUCTION

26.1 The Commercial Fishermen's Investment Incentive Program is administered by the Department of Fisheries. It began in May 1983 and the receipt of applications stopped in February 1988. Interest rebates will continue to be paid to fishermen during the period of their loans until 1992.

26.2 The objective of the program was to provide assistance to the primary fishing industry by enabling fishermen to develop their enterprises in an orderly manner and retain a balanced financial business package. The program provided interest reduction grants for capital assets, purchases of fishing enterprises, and working capital loans.

26.3 The total projected program cost when completed will be in excess of $1.1 million with over 500 fishermen receiving assistance.

AUDIT SCOPE

26.4 We performed an audit of the program for the period from May 1983 to December 1987. We examined a sample of client files to determine whether program criteria were followed.

OBSERVATIONS

26.5 Following are our observations from the **sample** of files examined:

- Twenty-nine files contained insufficient information to verify interest rebates. We obtained the necessary information from lenders and determined that overpayments and underpayments occurred.
- Ten of the loans did not have supporting documentation on file such as receipts, invoices, or statements of operating expenses which are necessary to provide evidence of eligibility.
- Three loans were approved which when added to existing loans, did not meet the program criteria that total loans not exceed $30,000.
- One loan was approved which did not meet the eligibility criteria. Eligible projects include new or used capital asset purchases, acquisitions of fishing enterprises and privileges, repairs to capital items, and working capital loans. This loan was used to refinance an existing loan taken out in 1978.
- A master list of all applications received and rebates paid was not reconciled to Department of Finance payment records. A number of discrepancies existed between these records.
- An evaluation of the program was not carried out by the Department to determine if its objective was achieved.

26.6 **Department staff should ensure rebates are accurately calculated, records are reconciled with the Department of Finance, and the program is evaluated.**

26.7 The Department responded positively to our report and advised that action would be taken to deal with our concerns.

27. SUPREME COURT TRUST ACCOUNTS

27.1 In accordance with Section 43(1) of the Judicature Act our office conducts an annual audit of the Supreme Court trust accounts. The trust accounts represent funds received by the Court as a result of a court order or in anticipation of the settlement of a litigious matter. At March 31, 1988, the trust accounts totalled $1.9 million.

27.2 Our audit noted that substantial funds were being held in a non-interest bearing chequing account. The average month end balance for the year was $55,000. As a result, the fund was not maximizing its income potential.

27.3 **We recommended that an interest bearing chequing account be utilized.**

27.4 Our audit disclosed errors in interest calculations. These ranged from an overpayment of $632 to an underpayment of $517.

27.5 **We recommended that more care be exercised when calculating interest and that interest calculations be checked by a second person.**

27.6 The number of accounts and nature of transactions in the Supreme Court seem appropriate for computerization.

27.7 **We recommended that the feasibility of computerizing the records of the Supreme Court be determined.**

27.8 The Prothonotary of the Supreme Court agreed with our recommendations.

28. MILL RIVER PRO SHOP

28.1 At the request of the Director of Parks, we performed a review of the financial records of the Mill River Pro Shop. We noted two areas where improvements should be made:

- The cash register used in the Pro Shop does not generate a cash register tape making it impossible to determine if all register transactions are recorded on the revenue summary sheets.
- A single bank account of the Golf Pro serves as a bank account for the Pro Shop, a separate gift shop, and the Pro's personal transactions.

28.2 **A suitable cash register and a separate bank account for the Pro Shop should be in place to provide better accountability for the transactions of the Pro Shop.**

28.3 The agreement between the Province and the Golf Pro requires the Golf Pro to pay the Province five percent of all sales, rental and service fees less the following exemptions:

- a general $25,000 exemption;
- credit card charges applicable to sales and rentals; and
- income from golf cars and carts.

28.4 It would appear that unless the activities on which commissions are based increase dramatically, the potential commission to the Province under the agreement is minimal.

28.5 **An assessment should be made of the present financial arrangement compared to other government and private sector agreements.**

29. P.E.I. LAND DEVELOPMENT CORPORATION

29.1 We performed an audit of the Corporation for the year ended March 31, 1988. Total assets at that date were $27 million and expenses for the year were $3.3 million.

29.2 In our December 1986 comprehensive audit, we recommended the Corporation take stronger action on its delinquent accounts and adhere to its collection policy. Although collection efforts have improved, the Corporation is not following some areas of the policy. Management advised that this is due to insufficient staff resources.

29.3 Our analysis of receivables showed several accounts that owed the equivalent of three to five years' payments, and some accounts where no payments have been made since the inception of the agreement between the clients and the Corporation. In addition the requirements of some leases, such as the provision of financial statements, have not been met.

29.4 **The Corporation should adhere to its collection policy and follow up on terms and conditions of leases.**

29.5 The Corporation is currently running a computerized inventory system through Computer Services Division and because of its deficiencies a manual card system is also maintained. The computerized system generates several reports that are seldom used. In addition, the Corporation uses its own computer to generate lease billings, but because of deficiencies in this system, the original card system is also maintained.

29.6 The existing computer and manual systems create extra work for the staff and do not meet the information needs of management.

29.7 **A management information system that effectively meets the needs of the Corporation should be designed and implemented.**

29.8 In our sample of purchases, we noted three transactions where there was a significant delay between the time the Corporation forwarded the cheque to the lawyer and the time the deal closed. In one instance, the transaction was still not completed after four months. Since such purchases are financed by the Corporation's borrowed funds, this results in additional costs to the Corporation.

29.9 **The Corporation should attempt to have property transactions closed as soon as possible after the cheque is given to the solicitor. Outstanding transactions should be investigated regularly by staff and, if undue delays occur, the Corporation should request the funds be returned.**

29.10 The Corporation noted our comments and is attempting to deal with them.

30. HOSPITAL AND HEALTH SERVICES COMMISSION

30.1 We performed an audit of the Hospital and Health Services Commission for the year ended March 31, 1988. Expenses of the commission for the year totalled $97 million.

30.2 Our review of the system over medicare claims noted weaknesses in controls that require attention. These controls are necessary to ensure the information produced by the system is complete, accurate and authorized.

30.3 Currently the total dollar value of cheques generated is not reconciled after each processing run.

30.4 **Cheques produced for payment of claims should be reconciled to input control totals after each cheque run.**

30.5 Claims rejected by the claim validation and claim assessment processes require assessment staff to investigate the reason for rejection. Based on this manual assessment, changes are made if necessary and the rejected claim is re-entered for further processing. The more complex items are assessed by senior staff. For routine items there is no review by senior staff to ensure the assessment was appropriate and complete. These control procedures are especially important when new assessors are hired.

30.6 **Periodic reviews should be performed by supervisors on claims rejected and corrected to ensure the changes made are accurate and complete.**

30.7 Access to an on-line terminal requires the user to provide an identifying initial. The initial is then listed on any computerized claim information which has had assessment changes. Passwords are widely known and seldom changed. This does not provide adequate protection against unauthorized changes or access to confidential medical information.

30.8 **A confidential password should be required for each user to gain access to the on-line terminals, and the passwords should be changed periodically.**

30.9 During the course of our audit, Commission staff informed us that the resident registry file contains 185,000 names as of November 1988. Removal of the redundant information on this file would reduce the likelihood of errors occurring and provide more accurate information when used for other purposes.

30.10 **Efforts should be made to eliminate ineligible residents from the resident registry file.**

30.11 Recommendations were also made to improve control over computerized claims submitted for ambulance services.

31. P.E.I. GRAIN ELEVATORS CORPORATION

31.1 An audit of the Corporation was performed for the year ended March 31, 1988 and following are the points raised as a result of the audit.

31.2 The Corporation had an operating loss of $327,400 for the year.

31.3 A contract between the Corporation and a customer was drawn up without legal assistance. The contract terms were unclear and were a matter of dispute.

31.4 **Where non-standard contracts are required, the Corporation should obtain legal assistance in preparing the contract.**

31.5 A purchase of western wheat picked up by a customer at Halifax was sold at the Corporation's cost of $12,500. Since the Corporation is financing the purchase, some mark up to compensate for credit risk would be reasonable.

31.6 **In developing sales policies, the purchase and sale of western grains through the Halifax elevator should be addressed.**

31.7 There was a problem with the inventory at Elevator No. 1. Approximately 600 tons of oats and barley were accidentally mixed and are now classified as mixed oats. Since the selling price of mixed oats is lower than both barley and oats, the mixing of grains will result in reduced revenues to the Corporation.

31.8 **Precautions should be taken in the handling and moving of products at the elevator.**

32. CHARLOTTETOWN VETERINARY CLINIC

32.1 On October 19, 1987 the P.E.I. Crown Building Corporation purchased the shares of the Charlottetown Veterinary Clinic (1981) Ltd. and C.V.C. Management Inc.

32.2 We performed an audit, and to provide a more informative presentation, a combined financial statement for the two companies was issued. For the 167 day period ending March 31, 1988, there was an operating loss of $22,312. This loss was appropriated by the Province.

32.3 As a result of our audit we made several observations and recommendations for consideration by the Audit and Finance Committee, and the Board of Directors.

32.4 Following is a summary of the recommendations made:

- **The Board should establish written policies, including dollar limits where appropriate, on expenditure authorization and account receivable write-offs.**
- **Borrowing from corporation cash by staff using I.O.U.'s should be discontinued immediately.**
- **Credit entries to accounts receivable which do not represent payments on account should be written up on separate invoices. Adequate explanation and referencing to the original transaction should be included on the invoice.**
- **The detailed payroll records should be received by the clinic from the outside processing firm and someone should be assigned to review the payroll records and reconciliations.**
- **A fixed asset capitalization policy should be prepared and approved.**

32.5 Management has responded to our recommendations and are taking action to correct the problems raised.

33. P.E.I. ADVISORY COUNCIL ON THE STATUS OF WOMEN

33.1 At the request of the Minister Responsible for the Council, we conducted an audit for the years ended March 31, 1987 and March 31, 1988. Although the Council has been in existence for some time, it was established by Act in 1988 with an expanded mandate. The Council is composed of nine members and must submit an annual report on its activities to the Minister for tabling in the Legislative Assembly.

33.2 For the year ended March 31, 1988 the Council incurred approximately $88,000 in expenses. This was the Council's first audit and it is not uncommon to find weaknesses in internal control and recordkeeping systems.

33.3 We made recommendations to improve the accounting system, the filing system, control over cheque signing, payroll deductions, and documentation of expenditures.

33.4 The Council responded quickly and positively to our report and advised that the matters raised would be corrected.

34. OFFICIAL TRUSTEE

34.1 In accordance with Section 16 of the Official Trustee Act, we performed an audit of the assets held in trust for the year ended March 31, 1988.

34.2 The number of clients and value of assets administered by the Official Trustee has increased substantially over the last five years as shown by the following summary.

	1988	1987	1986	1985	1984
Number of Clients	91	85	84	77	60
Value of Assets	$1,352,000	$1,049,000	$933,000	$424,000	$302,000

34.3 During the year, the Official Trustee initiated arrangements whereby interest would be paid on cash balances in the general trust bank account and a fee charged for services provided. In previous years, the cash balances did not earn interest nor were there monthly service charges.

34.4 For the year ended March 31, 1988, $7,800 in interest revenue had been received from the general bank account and was retained as a surplus. At the time of our audit, no decision was made on the distribution of this surplus.

34.5 **A policy or regulation should be approved regarding the disposition of this surplus.**

34.6 We made a number of other minor recommendations and the Official Trustee advised that they will be acted upon.

35. P.E.I. MUSEUM AND HERITAGE FOUNDATION

35.1 We performed a financial audit of the Museum for the year ended March 31, 1988. The Museum incurred expenditures of $827,000 for the year and holds assets totalling $780,000.

35.2 As a result of our audit we made observations and recommendations to improve efficiency and internal control in the following areas: the processing of the casual payroll through the Civil Service Payroll System; payroll deductions; the receipt of goods; the credit approval process; and the recording of fixed assets.

35.3 The Museum responded positively to our recommendations and indicated efforts would be made to implement them.

36. PRINCE EDWARD ISLAND LOTTERIES COMMISSION

36.1 Under Section 13 of the Lotteries Act, we performed an audit of the Prince Edward Island Lotteries Commission for the year ended March 31, 1988.

36.2 The income of the Commission is Prince Edward Island's share of the profit of the Atlantic Lottery Corporation. The distribution of profit to each Province is based on the percentage of ticket sales in that province. Prince Edward Island's share of income amounted to $3,246,000 in 1988. As the Commission receives the monies from the Atlantic Lottery Corporation, they are paid into the Consolidated Fund.

IMPLEMENTATION OF PREVIOUS RECOMMENDATIONS

37. IMPLEMENTATION OF PREVIOUS RECOMMENDATIONS

INTRODUCTION

37.1 Many of our audits include recommendations for improvement. It is necessary to follow up on our recommendations to ensure that the underlying problems are receiving the attention they deserve. This section is a summary of past recommendations and the action which has been taken by those responsible for implementation.

37.2 Because our recommendations to Treasury Board are relatively few in number and deal with policy or government-wide issues of importance, we have been able to list most of them individually. Our audit reports to departments and agencies usually contain a large number of recommendations. These have been dealt with in summary fashion.

37.3 How quickly recommendations are implemented depends on many factors. Sometimes implementation is postponed for valid reasons. In all cases I intend to follow through until the recommendations have been dealt with in a satisfactory manner.

38. RECOMMENDATIONS TO TREASURY BOARD

38.1 Under the Financial Administration Act, Treasury Board has a number of responsibilities including preparation of the Budget Estimates, administration of the public service, and financial management.

38.2 Each year during the course of our audits, we encounter matters affecting these responsibilities that require decisions and direction from Treasury Board. This year was no exception and the observations and recommendations made to Treasury Board pertaining to the 1988 fiscal year are included in the previous sections of this report.

38.3 A substantial number of recommendations were made in the last two years and we are satisfied that overall Treasury Board staff are making good efforts to deal with them.

38.4 The purpose of this section is to follow up on previous years' recommendations until they have been dealt with satisfactorily. Following are the outstanding recommendations and Treasury Board's response.

Recommendations	Treasury Board Response
Additional information in Budget Estimates. (Section 2, 31 March 1987)	Additional schedules have been added to enhance budget information. Changes have not yet been approved to include narrative on goals, objectives and programs. Information showing person years by department and capital budgets on a multi year basis will not be included, however, improvements in presentation will be made.
Requirement, timing, and content of departmental annual reports. (Section 2, 31 March 1987)	Treasury Board staff are reviewing the subject in detail and intend to develop a proposal for government's consideration.
Coordination of planning and program evaluation. (Section 3, 31 March 1987)	The strategic overview and review process started last year by government continues. Cabinet has recently issued direction on a considerable number of issues related to review and evaluation of specific programs as well as organizational structures.

Recommendations	Treasury Board Response
Management and control of inventories. (Section 5, 31 March 1987)	Considerable action is in the process of being taken on a number of issues identified. Staff of the Comptroller's office and Treasury Board are meeting with departments to discuss details of a new policy.
Capital projects management system. (Section 8, 31 March 1987)	Treasury Board staff are in the final stages of revising the policy for submission to Treasury Board for approval.
Management and control of professional services. (Section 9, 31 March 1987)	The Treasury Board policy on professional services contracts has been revised to include standard contracts, tendering, and evaluation of consultant proposals.
Legal status of the Self Insurance Program. (Section 32, 31 March 1987)	The legal status is now set out in the Financial Administration Act which was revised in the last session of the Legislature.
Roles and responsibilities related to overtime. (Section 12, 31 March 1986)	The Civil Service Commission and Treasury Board have acted on the report and will continue to monitor costs and develop policy and procedures.
Grain Elevator Corporation capital acquisitions. (Section 21, 31 March 1986)	The Corporation is doing a complete organizational review which will deal with capital acquisitions.
Performance appraisals. (Section 20, 31 March 1986)	The Civil Service Commission is presently working with five departments to implement performance appraisal programs.
Policy manual. (Section 6, 1980-81)	Work continues on revising existing policies and developing new ones.

39. RECOMMENDATIONS FROM PREVIOUS REPORTS

39.1 The following sections provide an update on the significant recommendations made to departments and agencies in previous reports. They include only those audits not done on a regular basis.

40. STUDENT AID 1986-87

40.1 The Department is monitoring more closely all applications to ensure they are properly completed. Incomplete applications are being returned to the applicant unless the required information is available from previous applications.

40.2 The minimum standards contained in the Canada Student Loans criteria are followed except in certain circumstances where more stringent criteria are used.

40.3 The Department is monitoring more closely all documents submitted by the applicants for complete and signed documentation including earnings verification forms.

40.4 The purpose of the Student Aid Appeals Board is to deal with only the very exceptional precedent setting family/student situations and also to provide advice to the Minister. However, the precedents established in previous years have not been formalized to provide clear direction to the staff and the Board.

41. TUITION REIMBURSEMENT REVENUE 1986-87

41.1 The Department is receiving schedules from the school units and the Atlantic Veterinary College to support tuition revenue received.

42. P.E.I. LIQUOR CONTROL COMMISSION 1986-87

42.1 The Chairman of the Liquor Control Commission has advised us of the progress taken with regard to our recommendations in last year's Annual Report. Following is a summary of the more significant items.

Planning

42.2 We were advised that a documented planning process was to be developed for implementation prior to the 1989-90 budget process.

Organization Structure

42.3 There has been no change in the organization structure of the Commission. It continues to be managed and directed by a three member commission.

Staff Levels

42.4 The Commission has started a study of staff levels making use of a number of studies carried out in other provinces. It is expected that staffing standards will be developed as part of this study.

Inventory Control

42.5 A study has been carried out on inventory control in each store and the warehouse. This will assist in improving inventory turnover rates by reducing inventory levels.

Marketing

42.6 Some elements of a process to develop new marketing initiatives exist. However, a marketing plan to provide direction to promotional activities has not been developed.

Licensing and Inspection

42.7 In the winter, the Commission requires less than three inspectors because fewer licensed premises are open than during the summer. However, in order to ensure competent and adequate inspection during the peak season, three full time inspectors are employed. During the slack periods, special projects are assigned to ensure the inspectors are gainfully employed.

42.8 Statistics on charges, convictions and licensee violations are recorded in Commission minutes. Matters requiring corrective action are compiled by the Chief Inspector. Suspected violations are now recorded in the minutes of the weekly branch meetings and in a special log book.

42.9 **This year, we will continue to follow up on these recommendations.**

43. SOIL AND FEED TESTING LABORATORY 1986-87

43.1 The Deputy Minister of Agriculture has provided information on action taken regarding recommendations in last year's Annual Report.

43.2 Specific performance targets have been developed for some activities. For example, turn around times for each type of analysis have been established.

43.3 Laboratory staff are working with personnel in Extension Services to promote soil and feed testing services. These promotion efforts include the publication of information pamphlets, newsletters, and magazine and newspaper articles. In addition, personnel in Extension Services plan to encourage the use of laboratory services when contacting farmers in the districts.

43.4 Steps taken to improve the efficiency of laboratory analysis include significant changes in the assignment of duties. Technologists and technicians will be functional in all three areas of feed, soils, and plant tissue analysis. This will enable the laboratory to be more responsive during peak demand periods.

43.5 Information fact sheets on proper sampling techniques for soils, plant tissue and feeds are to be distributed.

43.6 **We are satisfied with the action taken by the department.**

44. PAYROLL-JOB CREATION PROGRAM 1986-87

44.1 The Deputy Minister of Health and Social Services has advised us of the action taken on our recommendations.

44.2 The payroll system for the program now has rigid guidelines to ensure payroll cheques are not released until timesheets are submitted.

44.3 In addition, departmental staff were advised to discuss changes to payroll procedures with the Department of Finance before they are implemented.

44.4 **We are satisfied with the action taken on our recommendations.**

45. STAFF TRAINING 1986-87

45.1 The Director of Staff Development has informed us of the progress on our recommendations.

45.2 A policy dealing with the roles and responsibilities the Civil Service Commission and departments have in staff training has been developed.

45.3 The Staff Development and Training Branch has met with department training coordinators to determine training needs and complete formal training plans.

45.4 The Civil Service Commission continues to evaluate each course using feedback from course participants. Changes to courses are developed from course evaluations.

45.5 The Civil Service Commission has developed a departmental training report which when completed by departments will be used to update training logs.

45.6 **We are satisfied with the progress made on our recommendations.**

46. CREDIT SERVICE AUTHORIZATIONS 1985-86

46.1 The Deputy Minister of Health and Social Services has informed us of the progress on our recommendations.

46.2 A policy instruction covering the purpose and procedures for using Credit Service Authorizations has been implemented which gives clear direction to staff.

46.3 A signing authority process for Credit Service Authorizations is being developed.

46.4 **We are satisfied with the progress made on this recommendation.**

OFFICE OF THE AUDITOR GENERAL

47. OFFICE OF THE AUDITOR GENERAL

MANDATE OF THE AUDITOR GENERAL

47.1 The Auditor General is a servant of the Legislative Assembly, independent of government and responsible for the audit of government administration within the provisions of the Audit Act.

47.2 The Auditor General is a vital part of the legislative framework that exists to hold the administration accountable for their stewardship of public funds.

RESPONSIBILITIES

47.3 The responsibilities of the Auditor General are set out in the Audit Act. The primary responsibility is the audit of the Public Accounts of the Province. This includes an objective examination of the accounts and records pertaining to the receipt and disbursement of public funds. In addition, the Auditor General is responsible for the audit of certain crown corporations under statute as well as those not subject to financial audit by other auditors.

47.4 The Auditor General is also responsible to conduct any audit or examination he considers necessary to determine whether any agency of government is achieving its purpose and is doing so economically and efficiently. This additional responsibility was conferred with the revision of the Audit Act in 1980. The number of audits is limited by staff resources available, but on a cyclical basis, significant audit coverage can be achieved in most department and agencies.

AUDIT PROCESS

47.5 Audits of the Province's Public Accounts and other financial statement audits are performed in accordance with the standards of the Canadian Institute of Chartered Accountants. These standards relate to the professional qualifications of auditors, minimum examination requirements and reporting responsibilities.

47.6 Audit work on government departments and programs pertaining to the economic and efficient achievement of objectives is performed based on state of the art methodologies evolving primarily from the Canadian Comprehensive Auditing Foundation and the other legislative audit offices.

47.7 We are always striving to make our audits more effective and efficient, while maintaining our professional standards of examination and reporting.

OFFICE ADMINISTRATION

47.8 Under the Audit Act, the Legislative Audit Committee, a standing committee of the Legislative Assembly is responsible for the administration of the office. The

Committee consists of the Speaker, who is Chairman, the Leader of the Opposition and the Minister of Finance.

47.9 The main functions of the Committee are clearly defined in the Act and ensure the office's operations and resources are determined independent from government. The Committee continues to work effectively in this role and is supportive of the office.

47.10 The annual budget for the office is submitted to this Committee for review. The Committee submits their recommended budget for the approval of the Lieutenant Governor-in-Council. It is then laid before the Legislative Assembly with the other estimates for final approval.

47.11 During the year our strategic overview was reviewed and updated. It outlines not only strategic issues, but also a three-year plan, and a detailed operational work plan for the current year.

47.12 The office is subject to a practice inspection on a periodic basis by the Institute of Chartered Accountants of Prince Edward Island, which is responsible for the regulation of public accounting. The inspection process is designed to protect the public interest by ensuring this office meets the standards required by the profession.

ORGANIZATION AND STAFFING

47.13 The office consists of the Auditor General, 3 Audit Directors, 14 audit positions and 1 administrative position. Three of these positions are filled by university graduates who are studying and articling to attain their chartered accountant designation. One position is filled by a university graduate, studying in the certified management accounting program.

47.14 Two persons from the office were successful in attaining a C.A. designation this year and one attained the highest marks on Prince Edward Island.

47.15 With the new mandate provided in the Audit Act in 1980, there is no limit to the amount of work this office could be doing. On the other hand any additional work requires more staff which entails additional cost.

47.16 It is not possible, or financially practical to have the Auditor General attempt to audit all of government each year. Therefore, it is my intention to perform sufficient audit work to adequately cover government programs on a cyclical basis in addition to my annual audits of Public Accounts and certain Crown Corporations.

47.17 There is no question, in my view, that the audit observations and recommendations made by this office contribute to an improved government administration.

PROFESSIONAL ACTIVITIES

47.18 The office is a sustaining member of the Canadian Comprehensive Auditing Foundation. The Foundation performs research and provides professional development courses, publications, and conferences to further the development of comprehensive audit methodology.

47.19 Members of the office participate in various meetings and serve on several committees jointly with representatives from other provincial legislative audit offices and the Auditor General of Canada.

47.20 I am currently a member of the Public Sector Accounting and Auditing Committee. The Committee was established by the Canadian Institute of Chartered Accountants to consider and render pronouncements on matters of public sector accounting and auditing theory and practice.

47.21 It is a very active committee and to date recommendations have been issued on major topics such as: standards of financial statement presentation for governments; defining the government reporting entity; accounting for employee pension obligations in government financial statements; and value for money auditing standards.

47.22 An important professional relationship is also maintained with the Institute of Chartered Accountants of P.E.I., and the Canadian Institute of Chartered Accountants. Membership on various provincial and national committees helps ensure the office is kept abreast of important developments in the accounting profession.

SCHEDULES

ORDINARY EXPENDITURES
APPROPRIATIONS

	ORIGINAL APPROPRIATION ACT 1987/88	SUPPLEMENTARY APPROPRIATION ACT	INCREASES BY ORDER-IN-COUNCIL	TRANSFERS GENERAL	EXPENDITURES 1988	EXPENDITURES 1987	UNDER EXPENDITURES
AGRICULTURE	$15,297,900	$1,392,200	$ -	$ 9,500	$16,633,286	$22,697,036	$ 66,314
LAND DEVELOPMENT CORPORATION	561,700	74,800	357,210	-	993,710	794,926	-
PEI GRAIN ELEVATORS CORPORATION	-	-	839,021	-	839,020	623,913	1
COMMUNITY & CULTURAL AFFAIRS	12,367,600	1,753,100	-	-	14,034,858	12,110,853	85,842
LAND USE COMMISSION	147,600	2,000	-	-	138,139	137,000	11,461
LABOUR	1,236,800	62,000	-	-	1,278,292	751,006	20,508
GENERAL EDUCATION	7,402,300	207,400	-	18,500	7,570,876	7,457,608	57,324
ELEMENTARY AND SECONDARY EDUCATION	84,702,200	-	-	170,800	84,697,202	79,608,047	175,798
POST SECONDARY EDUCATION	27,897,400	800,000	-	-	28,624,735	25,108,552	72,665
VOCATIONAL PROGRAMMING	3,866,900	-	-	-	3,866,900	3,718,200	-
TOURISM AND PARKS	7,143,900	279,100	-	-	7,382,868	6,536,164	40,132
EXECUTIVE COUNCIL	1,857,500	54,300	-	-	1,773,160	1,945,503	138,640
FINANCE	6,616,600	271,714	-	-	6,828,198	6,136,355	60,116
PEI LENDING AUTHORITY	946,400	11,100	291,512	-	1,249,013	1,201,658	(1)

ORDINARY EXPENDITURES
APPROPRIATIONS

	ORIGINAL APPROPRIATION ACT 1987/88	SUPPLEMENTARY APPROPRIATION ACT	INCREASES BY ORDER-IN-COUNCIL	TRANSFERS GENERAL	EXPENDITURES 1988	EXPENDITURES 1987	UNDER EXPENDITURES
INDUSTRY	$10,595,400	$ 574,700	$ -	$ -	$10,748,682	$ 9,018,720	$ 421,418
PEI DEVELOPMENT AGENCY	9,205,800	2,970,000	-	-	12,175,800	8,603,716	-
GEORGETOWN SHIPYARD INC.	-	-	532,810	-	532,810	1,511,411	-
HEALTH & SOCIAL SERVICES	80,833,400	986,300	=	-	81,603,748	72,871,993	215,952
ADDICTION SERVICES	3,126,800	5,200	8,100	-	3,140,000	2,932,904	100
HOSPITAL AND HEALTH SERVICES COMMISSION	96,342,600	32,200	819,931	205,400	97,400,131	92,295,008	-
ENERGY AND FORESTRY	11,399,800	50,000	-	-	10,804,741	12,021,380	645,059
PEI ENERGY CORPORATION	921,100	549,400	-	-	1,439,878	1,016,930	30,622
JUSTICE	13,433,600	733,700	-	-	14,032,262	12,264,678	135,038
PEI HOUSING CORPORATION	2,508,900	29,300	-	-	2,308,689	2,349,604	229,511
FISHERIES	2,662,000	13,700	-	-	2,598,141	2,425,313	77,559
LEGISLATIVE ASSEMBLY	1,642,100	408,200	5,800	-	2,056,016	2,176,551	84
TRANSPORTATION & PUBLIC WORKS	42,826,500	3,017,100	527,738	-	46,328,200	43,217,599	43,138
PEI CROWN BUILDING CORPORATION	935,000	-	-	-	922,384	366,950	12,616

ORDINARY EXPENDITURES
APPROPRIATIONS

	ORIGINAL APPROPRIATION ACT 1987/88	SUPPLEMENTARY APPROPRIATION ACT	INCREASES BY ORDER-IN-COUNCIL	TRANSFERS GENERAL	EXPENDITURES 1988	EXPENDITURES 1987	UNDER EXPENDITURES
OTHER CURRENT EXPENDITURES							
AUDITOR GENERAL	$ 856,300	$ 11,400	$ -	$ -	$ 794,921	$ 733,062	$ 72,779
CIVIL SERVICE COMMISSION	819,400	38,700	-	-	858,097	784,849	3
GENERAL GOVERNMENT	8,851,600	722,300	33,138	(404,200)	9,184,400	7,987,992	18,438
TREASURY BOARD	532,200	10,950	-	-	536,393	462,941	6,757
COUNCIL OF MARITIME PREMIERS	600,000	73,000	-	-	673,000	560,467	-
PEI FOOD TECHNOLOGY CENTRE	600,000	-	-	-	600,000	-	-
DEBT CHARGES	73,352,900	-	-	-	71,362,439	67,438,936	1,990,461
TOTALS	$532,090,200	$15,133,864	$3,415,260	$ -	$546,010,989	$509,867,825	$4,628,335

NOTE: FOR COMPARATIVE PURPOSES THE 1987 EXPENDITURES HAVE BEEN RESTATED TO REFLECT DEPARTMENTAL RESTRUCTURING IN THE 1987-88 FISCAL YEAR.

CAPITAL EXPENDITURES
APPROPRIATIONS

	ORIGINAL APPROPRIATION ACT 1987/88	SUPPLEMENTARY APPROPRIATION ACT	INCREASES BY ORDER-IN-COUNCIL	TRANSFERS GENERAL	EXPENDITURES 1988	EXPENDITURES 1987	UNDER EXPENDITURES
TRANSPORTATION & PUBLIC WORKS	$34,200,200	$1,762,400	$ -	$ -	$35,295,694	$25,073,332	$666,906
ENERGY AND FORESTRY	81,600	-	-	-	80,313	82,618	1,287
TOURISM AND PARKS	250,000	81,200	-	-	321,200	241,364	10,000
AGRICULTURE	175,000	-	-	-	175,000	-	-
FISHERIES	135,000	20,000	-	-	154,990	-	10
TOTALS	$34,841,800	$1,863,600	$ -	$ -	$36,027,197	$25,397,314	$678,203

ORDER-IN-COUNCIL	LIST OF INCREASES TO APPROPRIATIONS		
	DEPARTMENT OF AGRICULTURE		
244/87	P.E.I. MARKETING COUNCIL - GRANT Tobacco Transition Adjustment Initiative		$ 466,000
299/87	PROVINCIAL EXHIBITION ASSOCIATION - GRANT Not budgeted for		60,000
	EXTENSION SERVICES - ENGINEERING Specialized surveying equipment		46,400
453/87	ROYAL COMMISSION ON THE POTATO INDUSTRY To complete Commission's mandate		30,000
656/87	ROYAL COMMISSION ON THE POTATO INDUSTRY Vacation pay		5,000
63/88	P.E.I. MARKETING COUNCIL - GRANT Tobacco Transition Adjustment Initiative		679,600
88/88	SALARY Collective Agreement signing bonus		105,200
	TOTAL		**$1,392,200**
	LAND DEVELOPMENT CORPORATION		
67/88	GENERAL - ADMINISTRATION		$ 65,800
	Salaries	$ 8,600	
	Professional Services	4,500	
	Travel	1,350	
	Debt	51,350	
84/88	PROFESSIONAL SERVICES Legal costs		4,500
88/88	SALARY Collective Agreement signing bonus		4,500
382/88	DEBT Increase in allowance for doubtful accounts and property adjustments		345,889

ORDER-IN-COUNCIL	LIST OF INCREASES TO APPROPRIATIONS		
328/88	GENERAL ADMINISTRATION		$11,321
	Administration	$5,051	
	Professional Services	6,270	
	TOTAL		**$432,010**
	GRAIN ELEVATORS CORPORATION		
83/88	GRAIN ELEVATORS CORPORATION - DEBT		$839,021
	1987/88 Operating Deficit	$327,414	
	1986/87 Retained Operating Deficit	57,665	
	Capital Lease write-off	453,942	
	TOTAL		**$839,021**
	DEPARTMENT OF COMMUNITY AND CULTURAL AFFAIRS		
454/87	EMERGENCY MEASURES ORGANIZATION		$ 16,800
	Joint Emergency Planning Program		
	Salaries	$14,800	
	Travel	2,000	
557/87	ENVIRONMENTAL AND TECHNICAL SERVICES		29,500
	Underground Petroleum Storage Tank Program		
	Administration	$ 500	
	Materials and Supplies	1,000	
	Professional Services	6,500	
	Travel	2,000	
	Salaries	19,500	
594/87	FISH AND WILDLIFE WETLAND MANAGEMENT		25,000
	Co-operative Wetland Protection and Enhancement Program		
	Salaries	$20,500	
	Materials and Supplies	2,000	
	Travel	2,500	
31/88	MUNICIPAL SUPPORT		250,000
	Environmental Services Assistance Program-North River Sewer Project		

ORDER-IN-COUNCIL	LIST OF INCREASES TO APPROPRIATIONS		
64/88	ADMINISTRATION Equipment		$ 7,500
	PLANNING SERVICES COMMUNITY PLANNING Equipment		2,600
	YOUTH, FITNESS AND RECREATION - GRANT 1991 Canada Games		1,000,000
	MUNICIPAL SUPPORT - GRANTS		172,500
	Charlottetown Area Development Corporation Sinking Fund	$125,000	
	Summerside Waterfront Development Corporation	47,500	
	CULTURAL AFFAIRS - GENERAL Fathers of Confederation Memorial		100,000
	ENVIRONMENTAL AND TECHNICAL SERVICES		78,300
	Administration Equipment	$ 3,300	
	Community Services Laboratory Equipment	45,000	
	Underground Petroleum Storage Tank Program	30,000	
88/88	SALARY Collective Agreement signing bonus		70,900
	TOTAL		**$1,753,100**
	LAND USE COMMISSION		
88/88	SALARY Collective Agreement signing bonus		$2,000
	TOTAL		**$2,000**

ORDER-IN-COUNCIL	LIST OF INCREASES TO APPROPRIATIONS		
	P.E.I. HOUSING CORPORATION		
88/88	SALARY Collective Agreement signing bonus		$29,300
	TOTAL		**$29,300**
	DEPARTMENT OF LABOUR		
66/88	LABOUR RELATIONS BOARD Legal fees		$43,100
88/88	SALARY Collective Agreement signing bonus		18,900
	TOTAL		**$62,000**
	DEPARTMENT OF EDUCATION		
32/88	GENERAL EDUCATION - PROVINCIAL LIBRARY		$ 33,000
	Equipment	$ 8,000	
	Materials and Supplies	25,000	
	GENERAL EDUCATION - EDUCATIONAL SERVICES Computer laboratories equipment		110,000
88/88	GENERAL EDUCATION - SALARY Collective Agreement signing bonus		64,400
	TOTAL		**$207,400**
32/88	POST SECONDARY EDUCATION - MARITIME PROVINCES HIGHER EDUCATION COMMISSION U.P.E.I. Main Building renovations		$800,000
	TOTAL		**$800,000**
	DEPARTMENT OF TOURISM AND PARKS		
35/88	TOURISM DEVELOPMENT - VISITOR SERVICES Equipment		$ 7,000

ORDER-IN-COUNCIL	LIST OF INCREASES TO APPROPRIATIONS		
35/88	TOURISM DEVELOPMENT - ON ISLAND INCENTIVE ADVERTISING - GRANT		$15,000
	TOURISM MARKETING - ADVERTISING AND COMMUNICATIONS		91,900
	Purchase of French language Visitors Guide and advertising by Media Concepts		
	PARKS DIVISION - PARKS EAST		45,700
	Equipment	$31,700	
	Materials and Supplies	14,000	
	PARKS DIVISION - PARKS WEST		45,100
	Equipment	$31,100	
	Materials and Supplies	14,000	
51/88	DEPARTMENTAL MANAGEMENT - ADMINISTRATION		11,000
	Telephone costs		
	PARKS DIVISION - PARKS EAST		11,500
	Maintenance costs		
	PARKS DIVISION - PARKS WEST		12,500
	Maintenance costs		
88/88	SALARY		39,400
	Collective Agreement signing bonus		
	TOTAL		**$279,100**
	EXECUTIVE COUNCIL		
83/88	PLANNING AND RESEARCH FUND		$40,000
88/88	SALARY		14,300
	Collective Agreement signing bonus		
	TOTAL		**$54,300**

ORDER-IN-COUNCIL	LIST OF INCREASES TO APPROPRIATIONS		
	DEPARTMENT OF FINANCE		
33/88	COMPUTER SERVICES DIVISION		$107,400
	Operations - Equipment	$91,400	
	Client Support - Professional Services	16,000	
	REVENUE DIVISION		69,814
	To write-off accounts receivable		
	Property Tax	$ 6,214	
	Entertainment Tax	63,600	
88/88	SALARY		94,500
	Collective Agreement signing bonus		
	TOTAL		**$271,714**
	P.E.I. LENDING AUTHORITY		
88/88	SALARY		$ 11,100
	Collective Agreement signing bonus		
384/88	OPERATING DEFICIT		291,512
	Excess of interest expense over interest income		
	TOTAL		**$302,612**
	DEPARTMENT OF INDUSTRY		
657/87	EMPLOYMENT DEVELOPMENT - GRANT		$317,000
	Employment grant to Georgetown Shipyard		
34/88	DEPARTMENTAL MANAGEMENT - ADMINISTRATION		65,600
	Equipment	$62,600	
	Professional Services	3,000	
	SMALL BUSINESS PROGRAMS - POWER CONVERSION		152,000
88/88	SALARY		40,100
	Collective Agreement signing bonus		
	TOTAL		**$574,700**

ORDER-IN-COUNCIL	LIST OF INCREASES TO APPROPRIATIONS		
	P.E.I. DEVELOPMENT AGENCY		
424/87	DEVELOPMENT ASSISTANCE - GRANT		$1,000,000
	Introduction of full-time prospecting activities		
	Investment Incentive Program	$150,000	
	Equity Investors Incentive Program	850,000	
68/88	PROVISION FOR FUTURE LOSSES		1,400,000
	EQUITY INVESTORS INCENTIVE PROGRAM		360,000
	MEAT PROCESSING INDUSTRY ASSISTANCE		210,000
	Organization Costs - construction of the Garden Province Meats (1985) Plant		
	TOTAL		**$2,970,000**
	GEORGETOWN SHIPYARD INC.		
380/88	OPERATING DEFICIT		$532,810
	To cover 1987/88 operating deficit		
	TOTAL		**$532,810**
	DEPARTMENT OF HEALTH AND SOCIAL SERVICES		
65/88	DEPARTMENTAL MANAGEMENT		
	MANAGEMENT SERVICES		$ 52,600
	Administration	$30,600	
	Equipment	22,000	
	DENTAL DIVISION		3,000
	Materials and Supplies		
	HOME CARE AND SUPPORT		
	DIVISIONAL MANAGEMENT		30,000
	Professional Services - Red Cross		
	PHARMACY DIVISION		45,100
	Pharmacy Drug account		

ORDER-IN-COUNCIL	LIST OF INCREASES TO APPROPRIATIONS		
65/88	COMMUNITY REHABILITATION SERVICES		$ 34,400
	Divisional Management - Salary costs	$22,000	
	Queens County Residential Services - Salary costs	12,400	
88/88	SALARY		821,200
	Collective Agreement signing bonus		
	TOTAL		**$986,300**
	HOSPITAL AND HEALTH SERVICES COMMISSION		
88/88	SALARY		$ 32,200
	Collective Agreement signing bonus		
381/88	HOSPITAL SERVICES - HOSPITAL GRANT		300,000
	Hospital Equipment		
	HEALTH SERVICES - GRANT		519,931
	Increases in provincial practitioner's fees and in the number of physicians practising		
	TOTAL		**$852,131**
	ADDICTION SERVICES		
88/88	SALARY		$ 5,200
	Collective Agreement signing bonus		
405/88	PRINCE COUNTY - DETOXIFICATION		8,100
	Salary		
	TOTAL		**$13,300**

ORDER-IN-COUNCIL	LIST OF INCREASES TO APPROPRIATIONS		
	DEPARTMENT OF ENERGY AND FORESTRY		
88/88	SALARY Collective Agreement signing bonus		$50,000
	TOTAL		**$50,000**
	P.E.I. ENERGY CORPORATION		
372/87	JOB CREATION PROGRAM Silviculture work in Provincial Parks		$ 10,000
	Salaries	$9,500	
	Professional Services	500	
	WASTE PLANT - GRANT Operating Grant		536,000
88/88	SALARY Collective Agreement signing bonus		3,400
	TOTAL		**$549,400**
	DEPARTMENT OF JUSTICE		
300/87	CORRECTIONS Safe Driving Project		$ 66,400
	Materials and Supplies	$11,600	
	Professional Services	17,200	
	Salaries	36,000	
	Travel	1,600	
358/87	CORRECTIONS Victims Assistance Program		44,200
	Administration	$ 5,000	
	Salaries	36,400	
	Travel	2,800	
423/87	JUDICIAL Provincial Court Judges Salary increases		50,700

ORDER-IN-COUNCIL	LIST OF INCREASES TO APPROPRIATIONS		
625/87	ADMINISTRATION		$ 40,400
	Administration	$16,800	
	Equipment	8,600	
	Travel	15,000	
	JUDICIAL		54,800
	Administration	$ 8,200	
	Professional Services	36,500	
	Travel	10,100	
	CORRECTIONS		15,500
	General - Materials and Supplies	$ 500	
	General - Travel	3,000	
	Prince County Jail - Professional Services	500	
	Prince County Jail - Travel	500	
	Kings County Jail - Administration	4,000	
	Adult Probation - Travel	3,000	
	Youth Probation - Travel	4,000	
	PROSECUTIONS		1,000
	Administration - telephone costs		
	REGISTRY OFFICES		5,000
	Materials and Supplies		
	CORPORATIONS		22,800
	Equipment	$8,500	
	Professional Services	5,300	
	Salaries	9,000	
49/88	ADMINISTRATION		55,000
	Equipment	$51,000	
	Materials and Supplies	4,000	
	CORRECTIONS		258,600
	Provincial Correctional Centre		
	Equipment	$ 49,200	
	Materials and Supplies	38,800	
	Salary	103,100	
	Prince County Jail		
	Materials and Supplies	20,300	
	Salary	47,200	

ORDER-IN-COUNCIL	LIST OF INCREASES TO APPROPRIATIONS		
88/88	SALARY Collective Agreement signing bonus		$119,300
	TOTAL		**$733,700**
	DEPARTMENT OF FISHERIES		
88/88	SALARY Collective Agreement signing bonus		$13,700
	TOTAL		**$13,700**
	LEGISLATIVE ASSEMBLY		
85/88	LEGISLATIVE SERVICES		$ 66,100
	Administration	$ 1,300	
	Equipment	4,000	
	Materials and Supplies	7,100	
	Salaries	47,300	
	Travel	4,900	
	Grant - Commonwealth Parliamentary Association	1,500	
	MEMBERS M.L.A. telephone subsidies		1,900
	ELECTIONS Professional Services and Legal Fees		55,000
	PLEBISCITE - FIXED LINK Professional Services		280,000
88/88	SALARY Collective Agreement signing bonus		5,200
351/88	LEGISLATIVE SERVICES Professional Services		5,800
	TOTAL		**$414,000**

ORDER-IN-COUNCIL	LIST OF INCREASES TO APPROPRIATIONS		
	DEPARTMENT OF TRANSPORTATION AND PUBLIC WORKS		
658/87	HIGHWAY SAFETY BRANCH - REGISTRATION AND SAFETY		$138,000
	Administration		
	Administration	$ 7,000	
	Professional Services	10,000	
	Salaries	35,000	
	Travel	5,000	
	Promotion of Highway Safety		
	Equipment	20,000	
	Materials and Supplies	10,000	
	Salaries	20,000	
	Registration and Licensing		
	Equipment	10,000	
	Materials and Supplies	21,000	
	Development of National Safety Code		
69/88	GENERAL ADMINISTRATION		12,500
	Salary		
	HIGHWAYS MAINTENANCE BRANCH		735,000
	Maintenance of Roads - Prince		
	Materials and Supplies	$20,000	
	Maintenance of Roads - Queens		
	Materials and Supplies	60,000	
	Salaries	23,000	
	Right Of Way - Queens	20,000	
	Professional Services		
	Snow Removal		
	Materials and Supplies	35,000	
	Professional Services	422,000	
	Salaries	44,000	
	Sanding and Salting	111,000	
	Materials and Supplies		

ORDER-IN-COUNCIL	LIST OF INCREASES TO APPROPRIATIONS		
69/88	MECHANICAL BRANCH - GARAGE OPERATIONS		$1,214,000
	Direct, Charlottetown		
	Materials and Supplies	$500,000	
	Salaries	285,000	
	Travel	21,000	
	Indirect, Charlottetown		
	Materials and Supplies	60,000	
	Salaries	122,000	
	Direct, Summerside		
	Materials and Supplies	20,000	
	Salaries	104,000	
	Indirect, Summerside		
	Salaries	13,000	
	Operators, Prince		
	Salaries	60,000	
	Operators, Queens		
	Salaries	29,000	
	TRAFFIC ENGINEERING		81,200
	Data and Design - Equipment	$12,500	
	Highway Signage		
	Equipment	2,000	
	Materials and Supplies	33,700	
	Salaries	10,000	
	Highway Marking - Salaries	23,000	
	BUILDINGS BRANCH		
	CONSTRUCTION ADMINISTRATION		80,000
	Salary		
	DIRECT BUILDINGS MAINTENANCE		
	SHAW, JONES & SULLIVAN BUILDINGS		10,000
	New carpet		

ORDER-IN-COUNCIL	LIST OF INCREASES TO APPROPRIATIONS		
69/88	DIRECT BUILDINGS MAINTENANCE		$ 43,000
	Hillsborough Hospital - Materials and Supplies	$14,500	
	Dr. Eric Found Health Centre - Materials and Supplies	3,000	
	Beach Grove - Materials and Supplies	11,000	
	Correctional Centre - Materials and Supplies	14,500	
	BUILDING BRANCH - VET COLLEGE SUPPORT		19,500
	Salary		
	SERVICES BRANCH - ISLAND INFORMATION SERVICES		25,000
	Equipment		
	SERVICES BRANCH - QUEENS PRINTER		17,000
	Equipment		
	TRANSPORTATION BRANCH		266,700
	Professional Services		
	HIGHWAY SAFETY BRANCH - REGISTRATION AND SAFETY		29,000
	Promotion of Highway Safety - Equipment	$24,000	
	Registration and Licensing - Equipment	5,000	
	HIGHWAY SAFETY BRANCH		38,100
	Highway Scales - Equipment		
88/88	SALARY		308,100
	Collective Agreement signing bonus		
244/88	HIGHWAYS MAINTENANCE BRANCH - SANDING AND SALTING		170,600
	Salt		
320/88	HIGHWAYS MAINTENANCE BRANCH - SNOW REMOVAL		272,965
	Salary		
	MECHANICAL BRANCH - GARAGE OPERATIONS		36,500
	Direct, Summerside - Garage parts		

ORDER-IN-COUNCIL	LIST OF INCREASES TO APPROPRIATIONS		
320/88	MECHANICAL BRANCH - OPERATORS Kings County - Salary		$ 47,673
	TOTAL		**$3,544,838**
	AUDITOR GENERAL		
88/88	SALARY Collective Agreement signing bonus		$11,400
	TOTAL		**$11,400**
	GENERAL GOVERNMENT		
359/87	ROYAL VISIT 1987		$141,200
	Administration	$41,240	
	Equipment	10,000	
	Materials and Supplies	15,560	
	Professional Services	61,600	
	Salaries	4,300	
	Travel	8,500	
52/88	GRANT TO CHARLOTTETOWN DRIVING PARK		158,000
	GRANT TO PRINCE COUNTY HORSEMEN'S ASSOCIATION		32,000
70/88	GENERAL GOVERNMENT - EMPLOYEE BENEFITS		160,000
86/88	ROYAL VISIT 1987		18,100
	Administration	$ 1,700	
	Equipment	14,300	
	Materials and Supplies	1,000	
	Salaries	1,100	
	GRANT TO MORTGAGECO INC. Grant toward operational losses to wind-up the activities of Mortgageco Inc.		212,300
88/88	SALARY Collective Agreement signing bonus		700

ORDER-IN-COUNCIL	LIST OF INCREASES TO APPROPRIATIONS		
352/88	GRANT TO CHARLOTTETOWN DRIVING PARK		$ 33,138
	TOTAL		**$755,438**
	TREASURY BOARD		
36/88	GENERAL Computer equipment		$ 3,750
88/88	SALARY Collective Agreement signing bonus		7,200
	TOTAL		**$10,950**
	COUNCIL OF MARITIME PREMIERS		
52/88	GENERAL P.E.I.'s share (7.3%) of write-offs for Maritime Resource Management Service (M.R.M.S.)		$73,000
	TOTAL		**$73,000**
	CIVIL SERVICE COMMISSION		
86/88	ADMINISTRATION		$24,000
	Administration	$ 2,000	
	Equipment	5,100	
	Materials and Supplies	6,900	
	Salaries	10,000	
88/88	SALARY Collective Agreement signing bonus		14,700
	TOTAL		**$38,700**
	DEPARTMENT OF TOURISM AND PARKS - CAPITAL		
37/88	PARKS BRANCH - CAPITAL UPGRADING Equipment and Materials		81,200
	TOTAL		**$81,200**

ORDER-IN-COUNCIL	LIST OF INCREASES TO APPROPRIATIONS	
	DEPARTMENT OF FISHERIES - CAPITAL	
71/88	CAPITAL - SOURIS VESSEL HAUL OUT Mobile boat hoist	$20,000
	TOTAL	**$20,000**
	DEPARTMENT OF TRANSPORTATION AND PUBLIC WORKS - CAPITAL	
71/88	BRIDGES	$ 266,100
	CULVERTS	3,000
	SUBDIVISION PAVING	165,000
	HIGHWAY RECONSTRUCTION	1,300,000
88/88	SALARY Collective Agreement signing bonus	28,300
	TOTAL	**$1,762,400**